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A	STANDISH CARE CO	10Q	03-31-92
B	AMERICAN STANDARD INC	QA	03-31-92
C	ANDREWS GROUP INC	10Q	03-31-92
D	CHRISTIAN PURCHASING NETWORK INC	QA	03-31-92
E	COMPONENTGUARD INC	10Q	01-31-92
F	CPB INC	10Q	03-31-92
G	EASTOVER CORP	10Q	03-31-92
H	EDG CAPITAL INC	10Q	12-31-91
I	EDISON CONTROL CORP	10Q	03-31-92
J	EDMARK CORP	10Q	03-31-92
K	EQUITEX INC	10Q	03-31-92
L	EQUITY AU INC	10Q	03-31-92
M	EURO-AMERICAN WRESTLING GROUP INC	10Q	03-31-92
N	HAMPSHIRE FUNDING INC	10Q	03-31-92
O	HOMETOWN BANCSHARES INC	10Q	03-31-92
P	IGENE BIOTECHNOLOGY INC	10Q	03-31-92
Q	NEWBRIDGE NETWORKS CORP	10Q	01-31-92
R	NOISE CANCELLATION TECHNOLOGIES INC	10Q	03-31-92
S	WATERS INSTRUMENTS INC	10Q	03-31-92
T	WISCONSIN PHARMACAL CO INC	10Q	03-31-92

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAY 15 1992

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 1992.

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ________ to ________.

Commission file Number: **0-19815**

RECD S.E.C.
MAY 15 1992

THE STANDISH CARE COMPANY
(Exact name of Registrant as specified in its charter)

Delaware	**04-3069586**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Clarendon Street, 51st Floor, Boston, MA 02116-5021
(Address of principal executive offices) (Zip Code)

(617) 266-5555
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No____

Indicate the number of shares outstanding of each issuer's class of common stock, as of the latest practical date.

Class	**Outstanding at May 11, 1992**
Common Stock, $.01 par value	1,330,449

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THE STANDISH CARE COMPANY
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PART I

Item 1. Financial Information

The Standish Care Company
Consolidated Balance Sheets

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents	$2,431,610	$398,285
Current portion of funds held by trustee	357,109	931,469
Accounts receivable	76,375	7,528
Due from related party	123,142	77,564
Interest receivable	21,901	2,800
Other current assets	70,187	370,566
Total current assets	3,080,324	1,788,212
Property, plant and equipment, net	6,426,985	6,243,933
Investment in land	115,967	103,967
Investment in affiliated company	-	-
Costs of initial rental operations of Crystal Cove Community	404,229	377,977
Funds held by trustee and agent	1,701,040	2,116,959
Bond issue costs	806,601	807,225
Other assets	13,450	14,607
Total assets	$12,548,596	$11,452,880

See notes to consolidated financial statements

The Standish Care Company
Consolidated Balance Sheets - Continued

	March 31, 1992	December 31, 1991
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current Liabilities:		
Accounts payable	$141,351	$243,383
Due to related party	-	30,000
Current portion of long-term debt and notes payable	286,682	249,513
Note payable to affiliate	21,250	21,250
Accrued interest payable	265,781	532,262
Construction retainage payable	75,000	223,741
Accrued legal fees	-	184,187
Other current liabilities	92,089	119,970
Total current liabilities	882,153	1,604,306
Security deposits	16,200	11,746
Long-term debt and notes payable	9,996,372	10,266,120
Minority interest	-	-
Stockholders' Equity /(Deficit):		
Common Stock	13,304	6,301
Preferred Stock	540,000	490,000
Additional paid-in capital	2,660,329	55,074
Accumulated deficit	(1,559,762)	(980,667)
Total stockholders' equity/(deficit)	1,653,871	(429,292)
Total liabilities and stockholders' equity/(deficit)	$12,548,596	$11,452,880

See notes to consolidated financial statements

The Standish Care Company
Consolidated Statement of Operations

	For the three months ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Revenue:		
Consulting fees	$25,000	$51,922
Management fees	23,346	23,772
Service revenue	54,581	-
	102,927	75,694
Costs and expenses:		
Salaries, wages and benefits	110,384	95,432
Selling and marketing	22,027	4,237
General and Administrative	136,995	36,154
Facility operating expenses	235,883	-
Depreciation and amortization	40,744	471
Total costs and expenses	546,033	136,294
Loss from operations	(443,106)	(60,600)
Interest and investment income	28,261	6,368
Interest expense	(164,250)	(35,118)
Minority interest in net loss of consolidated partnership	-	25,138
Net loss	($579,095)	($64,212)
Loss per common share	($0.55)	($0.10)
Weighted average number of common shares outstanding	1,053,407	630,148

See notes to consolidated financial statements

THE STANDISH CARE COMPANY
Consolidated Statements of Cash Flows

	For the three months ended	
	March 31, 1992	March 31, 1991
	(Unaudited)	
OPERATING ACTIVITIES:		
Net Loss	($579,095)	($64,212)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	40,744	471
Minority interest in net (loss) of consolidated partnership	-	(25,138)
(Increase)/decrease in accounts receivable	(68,847)	(22,242)
(Increase) in due from related party	(75,578)	-
(Increase)/decrease in interest receivable	(19,101)	48,632
Decrease/(increase) in other assets	299,449	(25,793)
Increase(decrease) in accounts payable	(102,032)	194,660
Increase(decrease) in other liabilities	(212,068)	6,982
Increase in security deposits	4,454	-
Increase(decrease) in accrued interest payable	(266,481)	266,313
Net cash provided/(used) by operating activities	(978,555)	379,673
INVESTING ACTIVITIES:		
Investment in land	(12,000)	-
Additions to property, plant and equipment	(216,752)	(900,360)
Costs incurred in initial rental of Crystal Cove	(26,252)	-
Increase (decrease) in construction retainage	(148,741)	30,292
Properties under development	-	(21,250)
Net cash used by investing activities	(403,745)	(891,318)

THE STANDISH CARE COMPANY
Consolidated Statements of Cash Flows

	For the three months ended March 31, 1992	March 31, 1991
	(Unaudited)	
FINANCING ACTIVITIES:		
Bond issuance costs	(4,333)	(9,989;
Proceeds from loans from stockholders	-	25,000
Proceeds from note payable to affiliate	-	21,250
Proceeds from long-term debt and notes payable	(232,579)	75,000
Funds deposited with trustee expended	990,279	367,820
Proceeds from issuance of preferred stock	50,000	-
Net Proceeds from issuance of common stock	2,549,161	750
Net Proceeds from convertible debt converted to stock and issuance stock per development agency agreement	63,097	—
		(906)
Net cash provided by financing activities	3,415,625	478,925
Net increase/(decrease) in cash and cash equivalents	2,033,325	(32,720)
Cash and cash equivalents at beginning of period	398,285	52,806
Cash and cash equivalents at end of period	2,431,610	20,086

See notes to consolidated financial statements

Basis of Presentation

1. The accompanying financial statements and notes do not include all of the disclosures made in the Company's Annual Report on Form 10-K for 1991, which should be read in conjunction with these statements. The financial information included herein, with the exception of the consolidated balance sheet at December 31, 1991, has not been audited. However, in the opinion of Management, the statements include all adjustments necessary for a fair presentation of the quarterly results. The results of the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

Initial Public Offering

2. On February 6, 1992, the Company's initial public offering (the "offering") became effective. This offering resulted in net proceeds to the Company of $2,549,161.

Property, Plant & Equipment

3. Property, plant and equipment consists of the following:

	March 31, 1992 (unaudited)	December 31, 1991
Land	$422,985	$422,985
Land improvements	151,703	151,703
Furniture, fixtures & equipment	338,219	323,308
Construction in progress	-	3,700,309
Buildings and improvements	5,564,608	1,662,458
	6,477,515	6,260,763
Less accumulated depreciation	(50,530)	(16,830)
	6,426,985	6,243,933

Related Party Transactions

4. a. **Las Colinas Retirement Center**

In January 1992, the Company sold its one-third equity position in Las Colinas Retirement Center, Inc. ("LCRC") to The Mayflower Group, Ltd ("Mayflower") a related party, in exchange for Mayflower's promissory note in the principal amount of $100,000. The note bears interest at the rate of 7.5% per year, payable quarterly in arrears. Principal is due and payable in full in January 1994. The Company will recognize gain on the sale only as the note is paid. The Company has also taken back a three-year option to purchase the Mayflower's resulting two-thirds interest in LCRC for an aggregate exercise price of $250,000. Should the Company exercise its option, Mayflower could realize a net profit of approximately $150,000 on the combination of these transactions. At the time of the transaction, LCRC was the lessee of the Las Colinas Retirement Village.

On February 27, 1992, the holder of the Las Colinas Bonds, The Van Kampen Merritt Tax Free High Income Fund ("VKM"), commenced an action (the "State Action") naming LCRC, the Company and certain other entities as nominal defendants, under its compliant, VKM alleged that it had removed LCRC as lessee and the Company as manager of Las Colinas for cause.

In its complaint, VKM sought injunctive relief to enjoin LCRC and Standish from interfering with VKM's replacement of them as lessee and manager, respectively, and enjoining LCRC and Standish from exercising rights and control over LCRC's bank accounts and from receiving and collecting revenues relating to Las Colinas, and for related relief. VKM also sought a judgment against LCRC and Standish in an undetermined amount of damages with respect to an alleged breach of contract count, for alleged violations of New Mexico's Unfair Practices Act including a request for treble monetary damages and for punitive damages.

On February 28, 1992, and prior to a hearing on VKM's motion for a temporary restraining order in the State Action, LCRC filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Federal Proceedings"). In connection with and immediately following that filing, LCRC filed an application for removal of the State Action, including removal of the proceedings as against Standish, even though Standish is not a party to the Chapter 11 petition of LCRC. That application was automatic upon filing, and the Court confirmed that no further action would be taken with respect to the State Action. On March 2, 1992, VKM filed a motion in the Federal Proceedings for the Bankruptcy Court to consider issuance of a temporary restraining order against Standish similar to that requested in the State Action. Following a hearing on that motion and a trial on VKM's preliminary injunction application, the Court ruled that VKM could appoint a new lessee of the facility, and as a result should be allowed to select its own management company to facilitate operations by the new lessee. Accordingly, as of March 23, 1992, Standish was replaced as manager of Las Colinas. In 1991, Standish had realized approximately $98,000 in management and accounting fees from its management of Las Colinas.

In its ruling, the court found no wrongdoing on the part of Standish as manager of LCRC as originally alleged by VKM. The court also found that VKM had established a clear pattern of forbearance with respect to the outstanding bonds. The court continued the proceedings on the remaining legai issues regarding the ultimate legal rights of the parties with respect to removal as well as the other matters involved in litigation.

b. Consulting Agreement

In March 1992, the Company entered into a consulting agreement with Mayflower, whereby Mayflower agreed to assist the Company in the Company's efforts to acquire a development in Winter Haven, Florida and to purchase and restructure bonds for other projects in the health care field. The term of the consulting agreement is five months, over which the Company has agreed to pay Mayflower a $50,000 consulting fee. $25,000 of this fee was paid upon execution of the Consulting Agreement and the balance is payable $5,000 per month.

5. Convertible Notes Payable

On February 6, 1992, the date of the Company's initial public offering, $63,000 of the notes were converted into 24,000 shares of common stock. In addition, as of March 31, 1992 the balance due of $168,000 was paid in full.

6. Stock Splits

In October 1991 and January 1992, the board of Directors authorized stock splits amounting to an 5.2512348-for-1 stock split of the common stock, thereby increasing the number of issued and outstanding shares of common stock to 630,148 and decreasing the par value of each share to $.01. The retroactive effect of this transaction has been reflected in the consolidated balance sheets, earnings per share calculations, statements of stockholders' deficit and the related footnotes.

7. Preferred Stock

In February 1992 the Company issued an additional 80 shares of Series C Preferred Stock for a purchase price of $100,000, of which $50,000 of cash was received in January 1992.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIALCONDITION AND RESULTS OF OPERATION

General

Standish has been engaged since its organization in October 1989 in assembling a management team, assessing and pursuing various development opportunities and obtaining financing on its Crystal Cove project. Also during this time, the Company has been providing consulting and planning services for third parties. Until the opening of the assisted living component of Crystal Cove in November 1991, the Company's sources of funds from operations were consulting fees for third-party engagements and management fees. The independent living component of Crystal Cove opened on March 1, 1992.

The Company financed its initial operations through sales of stock and borrowings and other financial accommodations from its principal stockholders and third parties, and in February 1992, the Company completed an initial public offering of its Common Stock from which it received net proceeds of approximately $2,549,161. Funds for the initial operations of Crystal Cove have been provided primarily from the proceeds of the bonds issued to finance the community (the "Crystal Cove Bonds").

The results of operations for the first quarter of 1992 reflect a full three months of operation of the assisted living component of Crystal Cove (representing approximately one-third of the cost of the community) and one month of operation of the independent living component of the community. As a result of the consolidation of the Company's financial statements with those of the development partnership for Crystal Cove, in which the Company and its subsidiary have a combined 54% interest, the Company has included in its financial statements the initial start-up losses incurred in connection with the opening of that facility. These losses are primarily attributable to operating expenses, depreciation and amortization expense, and interest expense, which were only partially offset by service fee revenue. As a result of the consolidation of Crystal Cove in the Company's financial statements, the Company's financial statements also do not reflect as income the receipt of management fees from Crystal Cove, which aggregated $15,000 in the first quarter of 1992.

The Company anticipates that losses from Crystal Cove will increase in the second quarter of 1992, reflecting a full quarter of operating, depreciation and interest expenses for the entire community, which will only be partially offset by increased service fee revenue as the community is filled.

Because of the Company's desire to retain its focus on management, development and consulting, rather than real estate ownership, and the adverse impact of the consolidation of Crystal Cove operations on the Company's financial statements, management intends to explore the possibility of divestiture of a portion of its interest in Crystal Cove.

Results of Operations

Revenue

The Company's revenue for the three months ended March 31, 1992 was $103,000, a $27,000 increase from revenue of $76,000 for the comparable period for 1991. This increase was attributable to an increase in service fee revenue which was partially offset by a decrease in consulting fee revenue.

Consulting fees decreased from $52,000 for the three months ended March 31, 1991 to $25,000 for the comparable period for 1992 due to the Company's shift in efforts toward management, acquisition and development activities and away from consulting services. In addition, during 1991, the Company worked on a major financial consulting engagement for a client, but as a result of delay in that client's project financing, the Company does not expect to realize its estimated contingent fee of approximately $75,000 unless and until the project's financing is obtained, which is anticipated to occur later in 1992. Despite the Company's shift in focus towards acquisition and management, it anticipates that consulting fee revenue will increase in 1992 as a result of its recent engagement as a consultant to the Oakbrook Common community in Dearborn, Michigan, along with the Company's ongoing consulting activities.

Management fee revenue remained the same for the three months ended March 31, 1992 as compared to the first quarter of 1991. Effective March 23, 1992, the Company ceased to be the manager of Las Colinas. Additionally, although the Company receives management fees from Crystal Cove, the fees are not reflected in the Company's revenues as a result of the consolidation of the Company's financial statements with those of the development partnership for Crystal Cove. The Company currently has no other sources of management fee revenue.

The Company opened the assisted living component of Crystal Cove in November 1991 and the independent living units in March 1992. The service fee revenue for the three months ended March 31, 1992 was $55,000.

The increase in investment income from $6,400 for the three months ended March 31, 1991 to $28,000 for the comparable period in 1992 was due primarily to the inclusion of a portion of the interest earned on trustee-held funds and interest earned on net proceeds from the Company's initial public offering for the comparable period for 1992.

Costs and Expenses

Costs and expenses increased from $136,000 for the three months ended March 31, 1991 to $546,000 for the comparable period in 1992.

Salaries, wages and benefits increased from $95,000 for the three months ended March 31, 1991 to $110,000 for the comparable period in 1992, primarily due to the hiring of an additional person, temporary help during the month of March and increased health insurance costs.

Selling and marketing expenses increased from $4,200 for the three months ended March 31, 1991 to $22,000 for the comparable period in 1992, primarily due to the Company's hiring of a Public Relations firm.

General and administrative expenses increased from $36,000 for the period ended March 31, 1991 to $137,000 for the comparable period in 1992. This increase was primarily attributable to an increase in overall activity related to development, management and consulting work-in-progress. As a result of this increased activity, the Company has entered into consulting agreements, incurred legal and accounting expenses and travel costs in order to facilitate this increased focus on new business. In addition, the Company has increased its insurance costs due to its director's liability insurance.

The Company incurred facility operating expenses of $236,000 for the three months ended March 31, 1992 compared to no such expenses in the comparable period in 1991, due to the opening of Crystal Cove in November 1991. Depreciation and amortization expenses increased to $41,000 for the three months ended March 31, 1992, from $500 for the comparable period in 1991, also primarily due to the opening of Crystal Cove. Depreciation expenses for the first quarter 1992 includes three months of depreciation of the assisted living component of Crystal Cove, approximately one-third of the cost of the entire community, and one month of depreciation for the entire facility, due to the opening on March 1, 1992 of the independent living component of Crystal Cove.

The increase in interest expense during the first quarter of 1992 to $164,000 from $35,000 for the comparable period in 1991, was primarily due to the interest expense attributable to the opening of the assisted living component of Crystal Cove commencing in November 1991 and the opening of the entire facility on March 1, 1992.

Financing and Capital Resources

In February 1992, the Company significantly improved its financial condition through an initial public offering of its Common Stock which resulted in net proceeds to the Company of approximately $2,549,161. This financing was augmented by receipt of the $50,000 balance of the purchase price for Series C Preferred Stock issued in February, 1992.

The Company has used $168,000 of the Company's funds to repay outstanding notes of the Company. The Company owns real property adjacent to the Crystal Cove site which is subject to mortgages in the amounts of $193,000 and $75,000, as well as a mortgage for up to $250,000 to secure a bank letter of credit.

Financing for the development by the Company of its first community, Crystal Cove, was made available to the Company through the remarketing of $9,345,000 principal amount of tax-exempt industrial development revenue bonds and the issuance of $630,000 principal amount taxable industrial development revenue bonds. Bank borrowings and letters of credit facilities were obtained with credit enhancements provided through personal guarantees and other financial accommodations from the Company's principal stockholders and other third parties

The Company is currently pursuing several acquisition opportunities, however no binding letters of intent were signed as of March 31, 1992. Commitment of funds for acquisition will depend upon which of these acquisition opportunities, if any, the Company is successful in closing.

The industrial development revenue bonds for Crystal Cove are held by mutual funds. Under the current tight bank credit markets and certain tax law restrictions, mutual funds and other non-bank institutional investors should continue to be one of the most likely sources for project financing. The Company is also seeking funding for certain of its proposed developments through the Housing and Urban Development Section 232 Board and Care Program. Application for a firm financing commitment has been filed for the Company's Boston development and conditional financing commitments are being filed for the Company's developments in Newton and Cambridge, Massachusetts.

The Company believes that its existing sources of liquidity and funds expected to be generated from operations will be sufficient to fund its general working capital requirements through 1992, without taking into account financing requirements for acquisitions or interim construction and permanent financing for developing additional assisted living communities. However, if the Company should require additional general working capital funds, it may seek such funds through loans or other financing. No such arrangements exist or are currently being negotiated.

PART II

ITEM 1. LEGAL PROCEEDINGS

See Note 4.a. to financial statements included herein.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The stockholders took action one time by written consent during the first quarter of 1992. By written consent effective January 26, 1992, being the date the Company received signed consents from the holders of the requisite number of shares of Common Stock, the stockholders adopted the Company's Restated Certificate of Incorporation and Restated Stock Option Plan, approved a partial reverse stock split, and approved various documents and actions in connection with the Company's initial public offering of its securities.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K

No reports were filed during the first quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE STANDISH CARE COMPANY
Registrant

Date: May 11, 1992

/s/
Michael J. Doyle
(Director, President and
Chief Executive Officer)

Date: May 11, 1992

/s/
C. Joel Glovsky
(Director and Chairman of the Board)

Date: May 11, 1992

/s/
Christopher W. Hollister
(Director, Chief Financial Officer,
Vice President of Planning and
Finance, Treasurer and Assistant
Secretary)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8

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Amendment to Application or Report Filed
Pursuant to Section 12, 13 or 15(d) of the
Securities Exchange Act of 1934

AMERICAN STANDARD INC.

Amendment No. 1
to Quarterly Report on Form 10-Q
for Three Months Ended March 31, 1992

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10Q for the three months ended March 31, 1992 (the Form 10-Q) as set forth below and in the pages attached hereto.

Form 10-Q
Item No.

Item 1. Summary Balance Sheet

Summary Statement of Cash Flows

Notes to Summary Financial Statements

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A. Item 1, Summary Balance Sheet, page 3, is hereby amended by moving the word "Unaudited" from the March 31, 1992 column to the heading at the top of the page so as to read "Unaudited Summary Balance Sheet." A revised page 3 reflecting this change is attached.

B. Item 1, Summary Statement of Cash Flows, page 4, is hereby amended by removing the sub-total of "Cash provided (used) by operating activities" from both columns and by adding two additional line items at the bottom of the Statement - "Cash and certificates of deposit at beginning of period" and "Cash and certificates of deposit at end of period." A revised page 4 reflecting this change is attached.

C. Item 1, Notes to Financial Statements, page 6, is hereby amended by including "Note 3. Inventories" as a new Note to the Financial Statements. A revised page 6 reflecting this change is attached.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, hereunto duly authorized.

American Standard Inc.
(Registrant)

Date: May 14, 1992

By:
G. Ronald Simon
(Vice President and Controller)
(also signing as Principal
Accounting Officer)

AMERICAN STANDARD INC. AND SUBSIDIARIES

UNAUDITED SUMMARY BALANCE SHEET
(Dollars in millions)

	March 31, 1992	December 31, 1991
CURRENT ASSETS		
Cash and certificates of deposit	$ 41.3	$ 105.4
Cash in escrow	2.2	2.6
Accounts receivable	543.9	469.3
Inventories	483.6	442.6
Other current assets	35.2	31.0
TOTAL CURRENT ASSETS	1,106.2	1,050.9
FACILITIES, less accumulated depreciation: March 1992 - $292.3; Dec. 1991 - $293.9	833.0	865.3
GOODWILL	1,144.6	1,208.4
OTHER ASSETS	164.7	160.9
	$3,248.5	$3,285.5
CURRENT LIABILITIES		
Short-term borrowings	$ 74.5	$ 63.2
Current maturities of long-term debt	166.2	119.0
Accounts payable	276.1	292.8
Accrued payrolls	110.6	109.6
Other accrued liabilities	253.4	220.2
Taxes on income	30.7	12.7
TOTAL CURRENT LIABILITIES	911.5	817.5
LONG-TERM DEBT	1,908.0	1,998.1
OTHER LIABILITIES	651.8	665.4
TOTAL LIABILITIES	3,471.3	3,481.0
COMMITMENTS AND CONTINGENCIES		
EXCHANGEABLE PREFERRED STOCK	121.2	117.5
STOCKHOLDER'S DEFICIT		
Common stock, 1,000 shares issued and outstanding, $.01 par value	-	-
Capital surplus	219.1	221.9
Accumulated deficit	(497.8)	(484.2)
Foreign currency translation effects	(65.3)	(50.7)
TOTAL STOCKHOLDER'S DEFICIT	(344.0)	(313.0)
	$3,248.5	$3,285.5

See accompanying notes.

AMERICAN STANDARD INC. AND SUBSIDIARIES
SUMMARY STATEMENT OF CASH FLOWS
(Dollars in millions)

	(Unaudited) Three months ended March 31, 1992	 1991
Cash provided (used) by operating activities		
Income-related:		
Loss before cumulative effects of changes in accounting methods	$ (13.6)	$ (29.1)
Depreciation	27.4	28.5
Amortization of goodwill	8.1	8.9
Non-cash interest	15.8	13.8
Accrued interest	22.1	21.6
Amortization of debt issuance costs	1.0	1.6
Non-cash stock compensation	6.5	6.8
Changes in working capital invested in operations	(125.4)	(88.0)
Timing differences in funding	1.2	(25.4)
Net cash flow used by operating activities	(56.9)	(61.3)
Investing activities:		
Purchase of property, plant and equipment	(17.3)	(17.2)
Proceeds from disposals of property, plant and equipment	3.0	2.5
	(14.3)	(14.7)
Financing activities:		
Repayment of term loan	-	(25.0)
Use of revolver	8.0	83.0
Net change in short-term debt	6.3	(4.6)
Net change in other long-term debt	(1.5)	(3.0)
Purchase of ASI Holding stock	(2.9)	(1.9)
	9.9	48.5
Decrease in cash and certificates of deposit excluding translation effects	(61.3)	(27.5)
Effect of exchange rate changes on cash and certificates of deposit	(2.8)	(1.3)
Net decrease in cash and certificates of deposit	(64.1)	(28.8)
Cash and certificates of deposit at beginning of period	105.4	61.1
Cash and certificates of deposit at end of period	$ 41.3	$ 32.3

See accompanying notes.

Note 2. Pending Debt Offering

The Company has filed a Registration Statement with the Securities and Exchange Commission proposing to issue $400 million of Senior Notes and Senior Debentures. The proceeds of this offering will be used to pay down long-term debt under the Company's Credit Agreement with various banks. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources for more information.

Note 3. Inventories

The components of inventory are as follows:

	March 31, 1992	December 31, 1991
	(Dollars in millions)	
Finished products	$ 255.7	$ 213.8
Products in process	122.2	118.8
Raw materials	105.7	110.0
Inventory at LIFO cost	$ 483.6	$ 442.6

The LIFO carrying cost of inventories reflects purchase accounting adjustments and therefore exceeds current cost.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

American Standard Inc. was acquired by ASI Holding Corporation ("Holding") a Delaware Corporation on April 27, 1988. As a result of this acquisition, results of operations since that date include purchase price accounting adjustments and reflect a highly leveraged capital structure.

SUMMARY SEGMENT DATA
(Dollars in millions)
(Unaudited)

	Three months ended March 31,	
	1992	1991
SALES:		
Air Conditioning Products (a)	$ 404	$ 406
Plumbing Products	285	257
Transportation Products	212	194
Total sales	$ 901	$ 857
OPERATING INCOME:		
Air Conditioning Products (a)	$ 8	$ 14
Plumbing Products	26	20
Transportation Products	41	33
Total Operating Income	75	67
Financing and corporate items	83	88
Loss before income taxes and cumulative effects of changes in accounting methods	$ (8)	$ (21)

(a) In 1991 the Air Conditioning Products segment included sales of $30 million and operating income of $1 million from Tyler Refrigeration, which was sold in the third quarter of 1991.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-9008

BEST COPY AVAILABLE

ANDREWS GROUP INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**95-2683875**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21 East 63rd Street, New York, New York	**10021**
(Address of principal executive offices)	(Zip Code)

212-593-4300

(Registrant's telephone number, including area code)

(Registrant's former address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at May 15, 1992
Common Stock, $1.00 par	1,000

As of May 15, 1992, all of the Registrant's outstanding common stock was indirectly held by Mafco Holdings Inc.

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ANDREWS GROUP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Millions, except share data)
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Cash	$8.4	$1.7
Trade receivables, net	51.3	61.3
Inventories	6.2	5.4
Film costs, net	137.1	137.7
Property, plant and equipment, net	4.0	4.0
Intangibles assets related to businesses acquired, net	90.7	91.4
Other assets	25.5	15.5
	$323.2	$317.0
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$58.3	$52.5
Deferred income	14.8	14.6
Participations and residuals payable	41.1	41.8
Debt	237.9	272.5
Indebtedness to affiliates, net	196.8	154.2
Minority interest in Marvel	21.6	19.5
	570.5	555.1
Redeemable preferred stock of a subsidiary	5.1	5.1
Stockholder's deficit:		
Common stock, $1.00 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in-capital	18.8	18.8
Accumulated deficit	(271.2)	(262.0)
Total stockholder's deficit	(252.4)	(243.2)
	$323.2	$317.0

See notes to unaudited consolidated financial statements.

ANDREWS GROUP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Millions, except share data)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net revenues	$69.3	$64.7
Cost of sales	24.2	23.9
Selling, general and administrative expenses	10.6	8.2
Film cost amortization and depreciation	26.3	31.1
Operating income	8.2	1.5
Other (expenses) income:		
Interest expense	(11.1)	(14.2)
Interest and net investment income	0.9	0.7
Minority interest in earnings of Marvel	(2.0)	
Amortization of goodwill and debt issuance costs	(2.2)	(2.5)
Miscellaneous, net	1.1	(1.4)
	(13.3)	(17.4)
Loss before income taxes	(5.1)	(15.9)
Provision for income taxes	(4.1)	(0.9)
Net loss	($9.2)	($16.8)

See notes to unaudited consolidated financial statements.

ANDREWS GROUP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	($9.2)	($16.8)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	29.6	34.4
Minority interest in earnings of Marvel	2.0	
Other, net	0.6	4.1
Changes in assets and liabilities:		
Additions to film costs	(25.4)	(32.0)
(Increase) decrease in other assets	(2.7)	1.3
Increase in liabilities	6.4	0.8
	10.5	8.6
Net cash flows from operating activities	1.3	(8.2)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net collections of loans to affiliates	40.9	
Capital expenditures	(0.4)	(0.1)
Net cash flows from investing activities	40.5	(0.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	11.2	11.4
Net repayment of debt and loans from affiliates	(45.8)	(3.7)
Other, net	(0.5)	0.9
Net cash flows from financing activities	(35.1)	8.6
Effect of exchange rate changes on cash	0.0	0.1
Net increase in cash	6.7	0.4
Cash at beginning of the period	1.7	2.1
Cash at end of the period	$8.4	$2.5
Supplemental schedule of cash flow information:		
Interest paid during the period	$11.2	$9.0
Taxes paid during the period	1.4	0.2

See notes to unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data)

1. BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements of Andrews Group Incorporated (the "Company") are unaudited. In the opinion of management, all adjustments necessary for a fair statement of the results of operations have been made. The Company is an indirect wholly owned subsidiary of Mafco Holdings Inc. ("Mafco Holdings").

In accordance with the provisions of Statement of Financial Accounting Standards No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films" ("SFAS No. 53"), the Company presents unclassified balance sheets.

Certain reclassifications have been made to conform to the current period's presentation.

2. SALE OF INTEREST IN AND STOCK SPLIT OF MARVEL

On July 22, 1991, Marvel Entertainment Group, Inc. ("Marvel"), a then indirect wholly-owned subsidiary of the Company, completed an initial public offering in which it issued and sold 8.4 million shares of common stock. In addition, in the initial public offering, Marvel's immediate parent company, New Marvel Holdings, Inc. sold 1.2 million shares of Marvel's common stock thereby reducing its ownership of Marvel to 60%.

On January 21, 1992, Marvel's Board of Directors declared a two-for-one stock split effected in the form of a dividend to stockholders of record on February 20, 1992, which was paid on March 3, 1992. All references herein to number of shares of Marvel common stock have been adjusted to reflect the stock split for all periods presented.

3. FILM COSTS

Film costs, net of amortization, consist of the following:

	March 31, 1992	December 31, 1991
Released	$126.8	$125.5
In process and development	10.3	12.2
	$137.1	$137.7

4. INCOME TAXES

The Company recorded a provision for federal, state and foreign taxes for the three months ended March 31, 1992 and a provision for foreign and state income taxes for the three months ended March 31, 1991. The Company has not recorded a federal benefit on its losses in the 1992 or 1991 periods since it is not assured that it will be able to realize a benefit for such losses in the future. The provision for federal and state income taxes in 1992 relates to Marvel's taxable income; Marvel is not included in the Company's 1992 consolidated federal income tax return. The provision for foreign income taxes in 1992 and 1991 consists primarily of taxes withheld on foreign royalties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data)

5. RELATED PARTY TRANSACTIONS

At March 31, 1992 and December 31, 1991, the Company and its subsidiaries had advances from and other indebtedness to Mafco Holdings and its affiliates of $203.6 and $201.9, respectively. This indebtedness bears interest at rates varying from 2% over the prime rate to 13.75%.

During the period April 1, 1992 through May 14, 1992, Mafco Holdings and its affiliates made net advances of $0.3 to the Company.

At March 31, 1992 and December 31, 1991, the Company was owed $6.8 and $47.7, respectively, by an affiliate of Mafco Holdings. The advances earn interest at the prime rate plus 2⅝% which is payable quarterly.

In March 1992, a subsidiary of the Company pledged 2,950,000 shares of Marvel common stock in connection with a bank loan to an affiliate. The number of shares pledged fluctuates based upon the market value of the shares and upon the outstanding principal amount of the underlying obligation.

6. LEGAL PROCEEDINGS

In February 1989, Robert Eckstein et al brought an action for violation of Federal Securities laws and pendant state law against New World and other parties (the "Eckstein Action"). In January 1988, Ralph Majeski et al brought an action for fraud, misrepresentation, breaches of contract and fiduciary duty, etc. against New World and other parties (the "Majeski Action"). In March 1992, the court granted a motion for summary judgment and dismissed both the Eckstein Action and the Majeski Action. Plaintiffs in the Majeski Action have filed a motion for reconsideration, and the defendants have filed a joint response. The motion is pending. A Notice of Appeal in the Eckstein Action was filed on or about April 6, 1992. On May 4, 1992, the Court of Appeals for the Seventh Circuit requested the parties to brief the issue of whether the case is appealable at this time in light of the pending motion for reconsideration in the Majeski Action.

ANDREWS GROUP INCORPORATED AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in millions, except per share data)

RESULTS OF OPERATIONS

The publishing segment, which is comprised of Marvel and Marvel Comics Limited ("Marvel U.K."), revenues are principally derived from the sale of comic books and other illustrated material and the sale of advertising in its comic books and from licensing its characters and publication rights. Sales of comics are recorded generally two to four weeks after shipment which approximates the retail on sale date. Sales made on a returnable basis are recorded net of a provision for returns. Subscription revenues, generally collected in advance, are deferred and recognized as income on a pro rata basis over an annual period. Costs of production are recognized when the related revenues are recognized. Income from licensing of characters owned by Marvel to third parties and publication rights is recorded at the time collection is assured.

New World recognizes revenues from foreign cable, home video, free and pay television contracts when the film product is available for exhibition or broadcast, provided other conditions of sale, in accordance with generally accepted accounting principles, have been met. Deposits and cash advances are deferred until all material conditions of the sale have been met. Deferred income consists mainly of advance payments received on television contracts for which films are not yet available for broadcast or exploitation. Film costs consist of story rights, screenplays and production costs (which benefit future periods) and capitalized overhead costs, and are stated at the lower of cost, net of accumulated amortization, or estimated net realizable value. Abandoned story and development costs are charged to film production overhead.

Three Months Ended March 31, 1992 Compared With The Three Months Ended March 31, 1991

The Company's net revenues in 1992 were $69.3 compared with $64.7 in 1991. Revenues in 1992 include $32.0 from the Company's publishing segment and $37.3 from the Company's filmed entertainment segment comprised of New World and Four Star International, Inc. Revenues in 1991 include $20.1 from the Company's publishing segment and $44.6 from the Company's filmed entertainment segment.

The increase in net publishing revenues was mainly attributable to Marvel's volume increases, including the publication of several new titles, and to a lesser extent from an increase in the cover price of select titles. The growth in the Company's licensing revenues was mainly attributable to the increasing popularity of Super Heroes themed merchandise and a non-refundable advance for the license to produce a live-action Spider-Man feature film.

The revenues from the Company's filmed entertainment segment are primarily comprised of revenues relating to New World's television series productions, including "The Wonder Years", "Santa Barbara", "Zorro", "The Bold and The Beautiful", and revenues from its film library. The decrease in revenues in the filmed entertainment segment for 1992 compared to 1991 is primarily due to the decrease in revenue generated from pilots and new series and a decrease in revenue from the domestic syndication market and other revenues. The decrease in revenue from pilots and new series is a result of the New World Transaction in November 1991, pursuant to which a third party agreed to assume New World's executory obligations with respect to certain contracts with employees and producers and certain development projects and television series. The decrease in domestic syndication and other revenues is primarily due to participation revenues for one animated series and cable revenues for one series recognized in 1991.

Cost of sales for 1992 and 1991 relates to the publishing segment ($15.1 and $11.0, respectively) and to the filmed entertainment segment ($9.1 and $12.9, respectively). The publishing segment's cost of sales as a percentage of sales was 47% in 1992 and 55% in 1991. The decrease in cost of sales as a percentage of net revenues reflects an increase in revenues from sales to the direct market, an increase in licensing revenues and to a lesser extent from an increase in the cover price on select titles. Cost of sales as a percentage of sales for the filmed entertainment segment was 24% and 29% in 1992 and 1991, respectively, and is comprised of residual and participation expenses for talent and costs of distributing the product in both the foreign and domestic markets. The decrease in the cost of sales as a percentage of revenues in the filmed entertainment segment is primarily related to the decrease in ultimate distribution costs for certain products.

Selling, general and administrative ("SG&A") expenses in 1992 increased by $2.4 to $10.6. The publishing segment's SG&A expenses increased from $4.9 to $7.6. As a percentage of net revenues, the publishing segment's SG&A expenses were approximately 24% in 1992 and 1991. The increase of $2.7 was mainly attributable to higher advertising and other selling expenses as well as increased salaries. The filmed entertainment segment's SG&A expenses decreased from $3.3 in 1991 to $3.0 in 1992.

Film cost amortization for 1992 and 1991 relates primarily to New World. Film costs are comprised of direct costs of production, including story rights, screenplays, salaries for talent, rental of facilities and capitalized overhead. The amortization rate is derived from management's estimate of ultimate revenues on a specific film or episode basis. These estimates are revised quarterly and any losses are provided for when known. Film cost amortization as a percentage of New World's net revenues was 71% in 1992 and 1991. During 1991, New World recognized a loss on the deliveries of one new series, one pilot and one movie-of-the-week compared to losses recognized in 1992 on two series and one mini-series. New series typically produce losses until sufficient episodes are produced to generate revenues from ancillary markets.

Operating income for 1992 and 1991 relate to the publishing segment ($9.3 and $4.2, respectively), net of losses of the filmed entertainment segment ($0.2 and $1.5, respectively) and corporate operating losses ($0.9 and $1.2, respectively).

Interest expense in 1992 decreased by $3.1 from 1991 to $11.1 primarily due to reduced borrowings by Marvel and New World, lower interest rates for certain bank indebtedness partially offset by increased borrowings from affiliates for interest and working capital purposes.

Amortization of goodwill and debt issuance costs were $2.2 in 1992 and $2.5 in 1991. The decrease relates primarily to the writeoff of all remaining goodwill of New World in the fourth quarter of 1991.

In 1992 and 1991, Miscellaneous, net is primarily comprised of foreign currency exchange gains and losses recognized on foreign television licensing contracts.

The provision for income taxes of $4.1 in 1992 relates to federal, state and foreign income taxes compared with $0.9 in 1991 primarily comprised of foreign and state income taxes. The provision for federal and state income taxes in 1992 relates to Marvel's taxable income; Marvel is not included in the Company's 1992 consolidated federal income tax return.

Inflation

In general, costs to produce and distribute television programming and publishing costs are affected by inflation, and the effects of inflation may be experienced by the Company in future periods. Management believes, however, that such effect has not been material to the Company in 1992 or 1991.

Financial Condition, Liquidity and Capital Resources

(a) Corporate:

The Company's corporate cash requirements consist primarily of debt service, administrative expenses and the funding of New World's operating deficits. The Company has three primary potential sources of liquidity at the corporate level consisting of: collection of short-term loans to affiliates, advances from Mafco Holdings and its affiliates and the Company's investment in the common stock of Marvel. At May 14, 1992, an aggregate of 6,463,906 shares of common stock of Marvel owned by the Company were pledged to secure indebtedness of New World and to secure obligations of a subsidiary of the Company in connection with a bank loan to an affiliate. In each case, the number of shares pledged fluctuates based upon the market value of the shares and upon the outstanding principal of the underlying indebtedness.

The loan agreements of New World prohibit the payment of dividends. The payment of dividends by Marvel are subject to the approval of its Board of Directors and further limited by its credit agreement.

(b) Consolidated:

Marvel's cash flow from operations is sufficient to cover its interest expense and debt service requirements. Neither New World nor the Company has sufficient cash flow to cover its interest or debt service requirements.

Management believes that even if New World is able to realize significant improvement in the results from its operations in 1992 and thereafter, for the foreseeable future, the Company's consolidated interest costs and other fixed charges are unlikely to be covered by the Company's consolidated earnings or cash flows. Accordingly, both the Company and New World continue to rely upon advances from Mafco Holdings and its affiliates. The Company nonetheless continues to explore various alternatives to optimize New World's operating cash flow and to realize maximum value from New World's assets.

The Company (primarily New World) depends upon advances and/or capital contributions from Mafco Holdings and its affiliates to meet its cash needs. At March 31, 1992 and December 31, 1991, advances and other indebtedness to Mafco Holdings and its affiliates were $203.6 and $201.9, respectively. During the period April 1, 1992 through May 14, 1992, Mafco Holdings and its affiliates made net advances of $0.3 to the Company. At March 31, 1992 and December 31, 1991, the Company was owed $6.8 and $47.7, respectively, by an affiliate of Mafco Holdings.

At March 31, 1992, approximately $167.3 of indebtedness of the Company was guaranteed by Mafco Holdings. The guarantees are subordinated obligations of Mafco Holdings and are partially secured by assets of Mafco Holdings.

In January 1992, the Company purchased a $24.5 subordinated participating interest in demand loans between its subsidiary, New World Entertainment, Ltd. ("New World") and Manufacturers Hanover Trust Company, (the "New World Facility").

New World is exploring various alternatives to extend or refinance the remainder of the New World Facility and other loans on a longer term basis, although there can be no assurance that the maturity, pricing and other terms and conditions of any such extension or refinancing will be advantageous to New World.

Capital expenditures of $0.4 in 1992 related primarily to machinery and equipment for Marvel. No material capital expenditures are planned for the remainder of 1992.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits
None

b. Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANDREWS GROUP INCORPORATED
(Registrant)

May 12, 1992

By:________________________
Mark L. Wilson
Vice President and Controller
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAY 21 1992
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FORM 8

AMENDMENT TO APPLICATION OR REPORT

Filed Pursuant to Section 12, 13 or 15(d) of
the Securities Exchange Act of 1934

CHRISTIAN PURCHASING NETWORK, INC.

(Exact Name of Registrant as Specified in its Charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q, as set forth in the pages attached hereto:

Part II: Items 1, 4

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

CHRISTIAN PURCHASING NETWORK, INC.

Date: May 15, 1992

By: Thomas J. McElheny
Thomas J. McElheny
President

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PART II
OTHER INFORMATION

The Company's Quarterly Report on Form 10-Q is hereby amended to include Items 1 and 4 of Part II, as follows:

Item 1. Legal Proceedings

In May, 1992, the case titled *Joe Holloway v. Christian Purchasing Network, Inc. and Thomas J. McElheny*, Case No. 91-5940, 12th Judicial Circuit Court in and for Sarasota County, Florida was dismissed with prejudice pursuant to an agreement of the Company to settle the matter for an aggregate of $15,000.

Item 4. Submission of Matters to a Vote of Security Holders

On May 1, 1992, an annual Meeting of Shareholders was held, at which the following matters were passed:

(1) the election of the following six directors to the Board of Directors to serve for the terms set forth opposite their respective names;

Thomas J. McElheny (7,241,148 votes for/ 369,150 votes withheld)	3 years	III
Richard O. Donegan (7,241,148 votes for/ 369,150 votes withheld)	3 years	III
Theodore J. Coburn (7,241,148 votes for/ 369,150 votes withheld)	2 years	II
Alexander J. Hahn (7,241,148 votes for/ 369,150 votes withheld)	2 years	II
Kenneth E. Hall (7,241,148 votes for/ 369,150 votes withheld)	1 year	I

Thomas R. Capps (7,241,148 votes for/ 369,150 votes withheld)	1 year	I

(2) the ratification of the selection of KPMG Peat Marwick as the Company's independent auditors for the year ending December 31, 1992 (7,302,798 votes for/1,000 votes against);

(3) the approval of an amendment to the Company's Articles of Incorporation to provide for a classified Board of Directors (7,252,723 votes for/351,050 votes against); and

(4) the approval of the Company's 1991 stock option plan (7,176,123 votes for/413,825 votes against).

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended January 31, 1992
Commission File Number 0-16581

COMPONENTGUARD, INC.
(Exact name of registrant as specified in its charter)

New York	11-3278450
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
100 Summit Lake Drive, Valhalla, New York	10595
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (914) 741-5600

Former name, former address and former fiscal year, if changed since last report: Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

YES X NO ____

CLASS	Outstanding Shares as of January 31, 1992
Common Stock, $.0001 Par Value	27,068,426

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COMPONENTGUARD, INC.

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Unaudited Statements of Operations for the three (3) months ended January 31, 1992 and 1991 6

Unaudited Statements of Cash Flows for the six (6) months ended January 31, 1992 and 1991 7

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Part II

Other Information:

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COMPONENTGUARD, INC.
BALANCE SHEETS

ASSETS	January 31, 1992 (Unaudited)	July 31, 1991
Current Assets:		
Cash	$ 142,830	$ 381,033
Restricted Certificate of Deposit	500,000	50,000
Accounts Receivable (Less Allowance of $377,161 and $799,605)	704,584	934,868
Inventory	379,423	298,225
Prepaid Expenses	58,814	61,655
Employee Advances	6,356	14,018
Other Current Assets	120,336	190,529
Total Current Assets	1,912,343	1,930,328
Restricted Certificate of Deposit		650,000
Employee Advances - Long Term		16,367
Property and Equipment (Net of Accumulated Depreciation and Amortization of $208,299 and $145,083)	307,109	225,343
Security Deposits and Other Assets	54,424	82,570
TOTAL ASSETS	$2,273,876	$2,904,608

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' DEFICIENCY	January 31, 1992 (Unaudited)	July 31, 1991
Current Liabilities:		
Accounts Payable	$ 404,700	$ 598,862
Accrued Expenses and Other	1,618,636	853,390
Convertible Notes Payable	500,000	
Convertible Subordinated Debentures	1,000,000	
Other Current Liabilities	14,270	12,156
Total Current Liabilities	3,537,606	1,464,408
Long-Term Debt	11,810	18,343
Convertible Subordinated Debentures		1,000,000
Long-Term Accrued Expenses		650,000
Shareholders' Deficiency:		
Common Stock, Par Value $.0001; 60,000,000 Shares Authorized; January 31, 1992 - 27,118,426 shares issued; 27,068,426 outstanding; July 31, 1991 - 22,308,315 shares issued; 22,258,315 outstanding.	2,707	2,226
Common Stock to be issued - 1,350,000 shares at January 31, 1992 and 6,200,000 shares at July 31, 1991	135	620
Additional Paid in Capital	5,143,552	5,393,548
Accumulated Deficit	(6,406,934)	(5,359,537)
Total	(1,260,540)	36,857
Less: Treasury Stock (50,000 shares) at cost	(15,000)	(15,000)
Shareholder Receivable		(250,000)
Total Shareholders' Deficiency	(1,275,540)	(228,143)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$2,273,876	$2,904,608

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENT OF OPERATIONS

	FOR THE SIX (6) MONTHS ENDED JANUARY 31,	
	1992	1991
Sales of Extended Warranty Programs	$2,534,434	$4,102,522
Less: Deferred Revenue		4,043,367
Current Revenue Earned	2,534,434	59,155
Prior Deferred Revenue Earned		998,880
Revenue from Sales of Extended Warranty Programs	2,534,434	1,058,035
Other Revenue	2,647	13,736
Total Revenue	2,537,081	1,071,771
Operating Expenses:		
Selling and Promotion	1,260,758	945,017
General and Administrative	1,407,429	1,723,812
Insurance Expense	887,052	173,662
Total Operating Expenses	3,555,239	2,842,491
Interest Income (Expense) - Net	(25,005)	(28,907)
Net Loss Before Taxes on Income	(1,043,163)	(1,799,627)
Provision for Income Taxes	4,234	25,858
NET LOSS	$(1,047,397)	$(1,825,485)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	29,461,204	21,353,215
NET LOSS PER COMMON SHARE	$(0.04)	$(0.09)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENT OF OPERATIONS

	FOR THE THREE (3) MONTHS ENDED JANUARY 31, 1992	FOR THE THREE (3) MONTHS ENDED JANUARY 31, 1991
Sales of Extended Warranty Programs	$1,115,516	$2,105,613
Less: Deferred Revenue		2,046,458
Current Revenue Earned	1,115,516	59,155
Prior Deferred Revenue Earned		563,279
Revenue from Sales of Extended Warranty Programs	1,115,516	622,434
Other Revenue	962	9,505
Total Revenue	1,116,478	631,939
Costs and Expenses:		
Selling and Promotion	625,969	401,914
General and Administrative	772,401	782,642
Insurance Expense	375,960	136,162
Total Operating Expenses	1,774,330	1,320,718
Interest Income (Expense) - Net	(17,403)	(25,387)
Net Loss Before Taxes on Income	(675,255)	(714,166)
Provision for Income Taxes	2,305	8,320
NET LOSS	$(677,560)	$(722,486)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	29,461,204	21,160,104
NET LOSS PER COMMON SHARE	$(0.02)	$(0.03)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENTS OF CASH FLOWS

	FOR THE SIX (6) MONTHS ENDED JANUARY 31, 1992	1991
Cash Flows from Operating Activities:		
Net Loss	$(1,047,396)	$(1,825,485)
Adjustments to Reconcile Net Loss to Net Cash (Used in) Operating Activities:		
Depreciation and Amortization	80,860	31,095
Non-Cash Expenses		306,913
Provision for Returns and Doubtful Accounts	422,444	38,751
Changes in Assets and Liabilities:		
Accounts Receivable	(192,160)	(1,323,931)
Prepaid Expenses and Other Current Assets	71,755	(50,603)
Insurance Escrow Fund		(489,071)
Inventory		
Employee Advances	(81,198)	(139,898)
Security Deposits and Other Assets	7,662	(8,149)
Deferred Costs Associated with Extended Service Contracts	28,146	(9,999)
Accounts Payable, Accrued Expenses and Other Liabilities		(584,679)
Deferred Revenues	(76,802)	(114,851)
		1,044,486
Net Cash (Used in) Operating Activities	(786,689)	(1,125,421)
Cash Flows from Investing Activities:		
Purchase of Certificate of Deposit		(46,975)
Proceeds from Certificate of Deposit	200,000	100,000
Acquisition of Property and Equipment	(144,981)	(49,449)
Sales of Marketable Securities		100,016
Net Cash Provided by Investing Activities	55,019	103,592
Cash Flows from Financing Activities:		
Reduction of Obligation under Capital Lease	(6,533)	(2,063)
Proceeds from Issuance Convertible Demand Notes	500,000	
Purchase of Treasury Stock		(45,000)
Net Cash Provided by (Used in) Financing Activities	493,467	(47,063)
Net (Decrease) in Cash	(238,203)	(1,068,892)
Cash - Beginning of Period	381,033	1,280,195
Cash - End of Period	$ 142,830	$ 211,303
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	$ 102,351	$ 84,463
Conversion of Notes Payable to Common Stock		1,500,000
Conversion of Shareholder Receivable to Unissued Shares of Common Stock	250,000	

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 1992

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six and three month periods ended January 31, 1992 are not necessarily indicative of the results that may be expected for the year ended July 31, 1992.

ComponentGuard, Inc. (the "Company") utilized for the first two quarters of fiscal 1991, the "full deferral method" of accounting for recognizing revenues on sales of extended warranty contracts as prescribed in the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 89-17. The specific application of the full deferral method of accounting required the Company to initially defer such revenues and recognize them on the straight-line basis over the lives of the related service contracts beginning approximately five months after the initial sale (such period represented the Company's estimate of the time required for warranty coverage to commence). Costs incurred by the Company for repair work (direct costs) were expensed as incurred and costs directly associated with the sale of the extended warranty contracts were deferred and amortized in proportion to the recognition of revenues.

Until April 1991, the extended warranty contracts administered by the Company were insured by an aggregate limit service contract reimbursement insurance policy. In April 1991, the Company cancelled its aggregate limit service contract reimbursement insurance policy and obtained a non-aggregate limit contractual liability insurance policy for all unexpired service contracts. This insurance policy transfers the total risk of loss on the extended warranty contracts to an insurance company, and utilizes the Company as a claims administrator. Accordingly, the Company no longer bears the ultimate risk of loss for repair work performed under the extended warranty contracts that it sells, and the Company now recognizes revenues at the time of sale and the costs directly associated with such sales as incurred.

NOTE 2 - INCOME TAXES

For income tax purposes, the Company is required to fully recognize revenues from sales of extended warranty contracts at the time of shipment, and can deduct related expenses as incurred.

At January 31, 1992, the Company has net operating losses for tax purposes of approximately $5,528,000 available for carry-forward against future taxable income, which expire during the fiscal years 2003 through 2005. The difference between the tax loss carryforwards and the accumulated deficit of $6,406,934 at January 31, 1992 relates principally to timing differences arising from the allowance for sales returns and doubtful accounts, and the estimate for future administration costs accrued by the Company. No benefit has been recorded in the accompanying financial statements for any tax loss carryforwards since such benefit cannot be assured.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 96, "Accounting for Income Taxes," as amended, which must be adopted by the Company no later than fiscal 1993. The Company has elected not to adopt SFAS No. 96 for the fiscal year ended July 31, 1992. The impact of SFAS No. 96 on the Company's financial statements upon future adoption is not reasonably estimable at this time.

NOTE 3 - NET LOSS PER SHARE

Net loss per share is based upon the weighted average number of common shares outstanding during the period. The calculation of earnings per share does not include the effects of the assumed conversion for either the $1.5 million Convertible Subordinated Note for the six month period ended January 31, 1991, or the $1 million Convertible Subordinated Debentures for the six month periods ended January 31, 1992 and 1991, since their effect on the net loss per share would be anti-dilutive. Additionally, no effect has been given to outstanding options and warrants for any year presented herein since their effect on the net loss per common share would also be anti-dilutive.

NOTE 4 - CONTINGENCIES

On January 3, 1991, in an action captioned *ComponentGuard, Inc. vs. Martin Gerber and Warrantech, Inc.*, the Company filed a suit in New York Supreme Court, Westchester County, against a former employee of the Company and Warrantech, Inc. The Company claims the former employee supplied Warrantech, a competitor of the Company, with confidential production information, and seeks to compel Warrantech to return the information, to refrain from photocopying the information and to refrain from soliciting or otherwise contacting ComponentGuard customers and potential customers whose names were obtained by the former employee through his alleged taking of the proprietary information while employed by the Company. The Company is seeking an accounting and damages for

Results of Operations (Con't):

Extended warranty programs sold for the three months ended January 31, 1992 were $1,115,516 compared to $2,105,613 for the three months ended January 31, 1991, a decrease of $990,097, or 47%. Extended warranties sold for the six months ended January 31, 1992 were $2,534,434 compared to $4,102,522 for the six month ended January 31, 1991, a decrease of $1,568,088, or 38%. The sales of the Company in the three and six month periods ended January 31, 1992 were adversely affected by a slowdown in the consumer electronics industry due to economic factors. The Company believes that this trend will continue in fiscal 1992 and is attempting to offset this trend by expanding sales to lawn and garden stores and to military exchanges.

Selling and promotion expenses increased by $224,055, or 56%, to $625,969 for the three months ended January 31, 1992 from $401,914 for the three months ended January 31, 1991 and by $315,741 , or 33%, to $1,260,758 for the six months ended January 31, 1992 from $945,017 for the comparable year ago period. The increase in selling and promotion is primarily due to certain selling and promotion costs which were deferred in the three and six month periods ended January 31, 1991 and were not deferred in the three and six month periods ended January 31, 1992. Had selling and promotion expenses been recognized in the period incurred, without any deferrals or expensing of prior deferred portions, selling and promotion costs would have increased by $59,593, or 15%, for the three month period ended January 31, 1992 and decreased by $133,896, or 14%, for the six month period ended January 31, 1992.

General and administrative expenses decreased by $10,241, or 1%, from $782,642 for the three months ended January 31, 1991 to $772,401 for the three months ended January 31, 1992 and by $316,383, or 18%, to $1,407,429 for the six months ended January 31, 1992 from $1,723,812 for the comparable year ago period. This decrease is primarily attributable to the recording of service claims as a general and administrative expense during the three and six month periods ended January 31, 1991. No such costs were incurred during the three and six month periods ended January 31, 1992, as the Company incurs no service claims under its current insurance policy as described above.

Insurance expense increased to $375,960 for the three months ended January 31, 1992 from $136,162 for the three months ended January 31, 1991 and to $887,052 for the six months ended January 31, 1992 from $173,662 for the comparable year ago period. The difference is attributable to the change in insurance policies, as previously noted.

As a result of the above factors relating to revenues and expenses, net losses amounted to $677,560 and $1,047,397 for the three and six month periods ended January 31, 1992, respectively, and $722,486 and $1,825,485 for the three and six month periods ended January 31, 1991, respectively.

ITEM 2: MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General:

ComponentGuard was incorporated in May 1985 to create, market and administer service contracts, commonly known as "extended warranties," on certain major brands of consumer electronic products. These contracts generally have a term of one to three years, up to a maximum of five years from the retail purchase date.

The Company utilized, for the first two quarters of fiscal 1991, the "full deferral method" of accounting for recognizing revenues on sales of extended warranty contracts, as prescribed in the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue No. 89-17. The specific application of the full deferral method of accounting required the Company to initially defer such revenues and recognize them on the straight-line basis over the lives of the related service contracts beginning approximately five months after the initial sale (such period represented the Company's estimate of the time required for warranty coverage to commence). Costs incurred by the Company for repair work (direct costs) were expensed as incurred and costs directly associated with the sale of the extended warranty contracts were deferred and amortized in proportion to the recognition of revenues.

Until April 1991, the extended warranty contracts administered by the Company were insured by an aggregate limit service contract reimbursement insurance policy. In April 1991, the Company cancelled its aggregate limit service contract reimbursement insurance policy and obtained a non-aggregate limit contractual liability insurance policy for all unexpired service contracts. Consequently, the Company was able to recognize as earned revenue, sales of all unexpired service contracts. Deferred costs and deferred revenues have thus been reversed during fiscal 1991 because the Company no longer bears any risk of loss when an extended warranty contract is sold.

Results of Operations:

Earned revenues from sales of extended warranty programs increased to $1,115,516 for the three months ended January 31, 1992 from $622,434 for the three months ended January 31, 1991 and to $2,534,434 for the six months ended January 31, 1992 from $1,058,035 for the comparable year ago period. The increase in revenues is the result of the Company being able to fully recognize sales as revenue in the three and six month periods ended January 31, 1992 because the extended warranties sold are fully insured under a non-aggregate contractual liability insurance policy under which the Company bears no risk of loss. During the three and six month periods ended January 31, 1991, revenues from sales of extended warranty programs were deferred and recognized over the life of the warranty because the sales were made under an aggregate limit service contract reimbursement policy under which the Company ultimately bore the risk of loss.

Results of Operations (Con't):

Extended warranty programs sold for the three months ended January 31, 1992 were $1,115,516 compared to $2,105,613 for the three months ended January 31, 1991, a decrease of $990,097, or 47%. Extended warranties sold for the six months ended January 31, 1992 were $2,534,434 compared to $4,102,522 for the six month ended January 31, 1991, a decrease of $1,568,088, or 38%. The sales of the Company in the three and six month periods ended January 31, 1992 were adversely affected by a slowdown in the consumer electronics industry due to economic factors. The Company believes that this trend will continue in fiscal 1992 and is attempting to offset this trend by expanding sales to lawn and garden stores and to military exchanges.

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Insurance expense increased to $375,960 for the three months ended January 31, 1992 from $136,162 for the three months ended January 31, 1991 and to $887,052 for the six months ended January 31, 1992 from $173,662 for the comparable year ago period. The difference is attributable to the change in insurance policies, as previously noted.

As a result of the above factors relating to revenues and expenses, net losses amounted to $677,560 and $1,047,397 for the three and six month periods ended January 31, 1992, respectively, and $722,486 and $1,825,485 for the three and six month periods ended January 31, 1991, respectively.

Results of Operations (Con't):

Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," (SFAS 96), was issued by the Financial Accounting Standards Board in December 1987 and is effective for annual financial statements for fiscal years beginning after December 15, 1991. SFAS 106, "Employers' Accounting for Post Retirement Benefits Other Than Pensions" is effective for financial statements for fiscal years beginning after December 15, 1992. The Company does not expect the impact of adoption of either SFAS to be significant.

Liquidity and Capital Resources

The Company was formed in May 1985. From inception through September 1987, the Company applied its limited resources primarily to test marketing in overseas United States military exchanges. In September 1987, the Company completed its initial public offering, realizing the net proceeds of approximately $2,000,000. In March 1990, the Company raised gross proceeds of $1,000,000 from the private placement of $1,000,000 of 10% convertible subordinated debentures due December 31, 1992 (convertible into Common Stock at $.50 per share) to a small group of foreign investors. In July 1990, ComponentGuard sold a $1,500,000 convertible note to a foreign private investor, which note was converted into 3,000,000 shares of Common Stock in January 1991. Pursuant to the terms of the lending agreement, based upon a formula with regard to the price of the Common Stock of the Company, the Company is issuing to the foreign private investor, an additional 1,350,000 shares. In July 1991, the Company privately placed 4,000,000 shares of Common Stock with a group of foreign investors, the net proceeds of which were $900,000. During fiscal 1992, two investors, one of which was foreign based, provided the Company with $500,000, for which the Company issued $500,000 demand notes, convertible at $.18 per share. All of the financings described in this paragraph resulted from the efforts of a private Switzerland-based investment banking firm (the "Investment Banker").

On December 4, 1991, the Investment Banker provided to the Company's independent auditors, in conjunction with the audit of the financial statements of the Company for fiscal 1991, a letter which committed the Investment Banker to provide the Company with the capital resources it required to maintain operations through the end of 1992. In January 1992, the Company requested additional financing from the Investment Banker in order to continue to pursue its current business plan and maintain its operations. Despite the existence of the commitment letter, the Investment Banker declined to provide any further funding.

During December 1991, the Investment Banker demanded repayment of a $200,000 demand note. However, later in December 1991, the Investment Banker lent the Company an additional $100,000. The Company believes that the additional loan was evidence that the repayment demand was rescinded. The Investment Banker has also required the Company to register various Common Stock as soon as the Company is able to complete a registration statement. The Company believs that it is in compliance with the requirement.

Liquidity and Capital Resources (Con't)

The Company is currently experiencing a shortfall in operating cash, which has primarily been caused by a slowdown in the consumer electronics business during the last several months, during which the Company had five major customers go bankrupt. Since the Investment Banker has not honored its written funding commitment, the Company has sought from its insurance company the cash required to fund current operations. Pursuant to the Company's request, the insurance company has agreed to release a $350,000 letter of credit that it was holding as part of an agreement to fully insure the Company's extended warranty contracts that were sold and registered before May 1, 1991, the date of the effectiveness of the Company's new insurance policy. The Company believes that the excess of such limit will exceed $350,000 but is unable at this point in time to calculate such amount. The cancellation of this agreement results in the Company being ultimately liable for warranty claims that exceed the limit of the aggregate limit service contract reimbursement insurance policy that was used by the Company prior to May 1, 1991. When this transaction is completed during the third quarter of fiscal 1992, the Company will be required to record on its books the deferred revenue and deferred costs associated with the unearned portion of the extended warranty contracts that were sold under the aggregate limit service contract reimbursement insurance policy. Such amounts are not reasonably estimable at this time, but will have the effect of decreasing the Company's net worth, as such previously recorded revenues that will be deferred will exceed the previously recorded expenses that will be deferred.

Since its initial public offering, the Company increased its staffing, training and other organizational activities, developed and implemented an extensive nationwide advertising campaign in selected periodicals to establish the Company "brand name," and with the benefit of the consumer awareness generated by such advertising, established a network of retailers selling its extended service contracts to consumers.

On January 31, 1992, the working capital deficit of the Company was $1,625,263 as compared to working capital of $465,920 at July 31, 1991. The decrease in working capital is primarily attributable to the expenditure of resources to finance the loss of the six month period ended January 31, 1992 and to the reclassification of $1,000,000 of debt due on December 31, 1992 from long-term debt to current debt. Management is attempting to reverse this trend during the next quarter by reducing the length of payment terms it has granted to certain customers and by further developing sales into distribution channels other than consumer electronic retailers.

At January 31, 1992, the Company's shareholders' deficiency was $1,275,540 as compared to a shareholders' deficiency of $228,143 at July 31, 1991. The decrease in equity is due to the loss incurred of $1,047,397 during the six month period ended January 31, 1992.

Liquidity and Capital Resources (Con't)

At January 31, 1992, accounts receivable amounted to $704,584 as compared to $934,868 at July 31, 1991. The decrease in accounts receivable is attributable to cash collections exceeding sales during the quarter ended January 31, 1992, and an overall decrease in sales.

Cash flows used in operating activities decreased to $786,689 in the six months ended January 31, 1992 from $1,125,421 in the six months ended January 31, 1992. This net decrease is primarily attributable to the decreased cash flow required to support operating requirements.

Net cash flows provided by investing activities in the six months ended January 31, 1992 amounted to $55,019 as compared to $103,592 in the six months ended January 31, 1991. The differences between the two periods is the purchase of fixed assets and proceeds from certificates of deposits in the six months ended January 31, 1992 of $144,981 and $200,000 respectively, as compared to $49,449 in purchases of fixed assets, $53,025 in net proceeds of certificates of deposits and $100,106 in sales of marketable securities in the six months ended January 31, 1991.

Net cash provided by financing activities amounted to $493,467 in the six months ended January 31, 1992 as compared to net cash used in financing activities of $47,063 in the six months ended January 31, 1991. The primary difference is $500,000 in proceeds from a convertible demand note during the six months ended January 31, 1992, as compared to $45,000 in purchases of treasury stock in the six months ended January 31, 1991.

In view of the Company's immediate need for capital to sustain current operations and in conjunction with new management's efforts to expand the business of the Company and to develop several channels of distribution for its product, the Company is attempting to raise additional capital through debt or equity financings. In view of the Investment Banker's declination to further fund the Company, the Company is attempting to identify other sources of funds. There can be no assurance that financings will be available at the appropriate terms and conditions.

After the utilization of the proceeds of the $350,000 letter of credit described above, the Company's ability to sustain operations will be dependent upon obtaining additional financing.

PART II: OTHER INFORMATION

COMPONENTGUARD, INC.

Item 6. Exhibits and Reports on Form 8-K:

There have been no reports on Form 8-K filed during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ComponentGuard, Inc.

By:____________________________
Karl E. Guerra
President
(Principal Executive Officer)

By: Paul H Riss
Paul H. Riss
Controller
(Principal Financial and Accounting Officer)

Dated: March 13, 1992

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

F
92-2256

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-10777

CPB INC.

(Exact name of registrant as specified in its charter)

Hawaii (State or other jurisdiction of incorporation or organization)	99-0212597 (I. R. S. Employer Identification No.)
220 South King Street, Honolulu, Hawaii (Address of principal executive offices)	96813 (Zip Code)

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(808) 544-0500
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

C 30-

Common Stock, No Par Value, $1.25 Stated Value;

Outstanding at April 30, 1992 - 5,190,722 shares

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements listed below are filed as a part hereof.

	Page
Consolidated Balance Sheets – March 31, 1992 and December 31, 1991	F–1
Consolidated Statements of Income – Three months ended March 31, 1992 and 1991	F–2
Consolidated Statements of Cash Flows – Three months ended March 31, 1992 and 1991	F–3
Notes to Consolidated Financial Statements	F–4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

CPB Inc. (the "Company") posted first quarter 1992 net income of $3.495 million, increasing by 11.9% over the $3.124 million earned in the first quarter of 1991. The Company's earnings growth was primarily due to the decrease in interest expense. As of March 31, 1992, total assets of $1,194.9 million increased by $60.3 million or 5.3%, total deposits of $1,033.2 million increased by $42.3 million or 4.3%, and net loans of $849.9 million increased by $28.1 million or 3.4% over year–end 1991.

The following table sets forth return on average assets, return on average stockholders' equity and earnings per share for the periods indicated.

	Three Months Ended March 31,	
	1992	1991
Annualized return on average assets	1.23%	1.21%
Annualized return on average stockholders' equity	15.37%	15.54%
Earnings per share	$0.67	$0.62

Annualized return on average assets for the first quarter of 1992 increased due to the growth in net income over the same quarter in 1991. Annualized return on average stockholders' equity decreased from the comparable period in 1991 due to the Company's strengthening capital position.

Results of Operations

Net Interest Income

The principal component of the Company's income is net interest income, which is the difference between interest and fees on interest earning assets and interest expense on deposits and borrowed funds.

A comparison of net interest income for the three months ended March 31, 1992 and 1991 is set forth below on a taxable equivalent basis using an assumed income tax rate of 34%. Net interest income, when expressed as a percentage of average interest earning assets, is referred to as "net interest margin."

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(Dollars in thousands)	
Interest income	$24,244	$24,573
Interest expense	10,409	11,823
Net interest income	$13,835	$12,750
Net interest margin	5.38%	5.41%

Interest income decreased by $329,000 or 1.3% in the first quarter of 1992 compared with the first quarter of 1991. While average interest earning assets of $1,029.0 million increased by $86.4 million or 9.2%, the yield on those assets decreased to 9.42% from 10.43%, mainly due to the decline in the general level of interest rates over the past year. However, the decrease in the average yield was mitigated by the higher proportion of higher-yielding loans to total interest earning assets of 80.9% from 75.7% at March 31, 1992 and 1991, respectively.

Interest expense for the first quarter of 1992 also decreased from the prior year quarter by $1.4 million or 12.0%. Average interest-bearing liabilities of $881.9 million increased by $80.0 million or 10.0% while the effective rate decreased to 4.72% from 5.90% for the first quarter of 1992 compared with the same quarter in 1991. As a result, net interest income increased by $1.1 million, or 8.5% for the quarter. The decline in net interest margin to 5.38% for the first quarter of 1992 compared to 5.41% for the first quarter of 1991 was due to the narrowing of the spread between rates charged on loans and rates paid on deposits.

Provision for Loan Losses

The provision for loan losses is determined by regular evaluations of the loan portfolio by Management. The current level of the allowance for loan losses is based on Management's assessment of the inherent risks associated with loan growth and the slowdown in certain sectors of the local and national economies. Net loan charge-offs of $207,000 were 0.10% as an annualized percentage of average total loans in the first quarter of 1992 compared with net charge-offs of $57,000 or 0.03% of average total loans in the 1991 quarter.

Provision for loan losses, loan charge-offs, recoveries, net charge-offs and net charge-offs as an annualized percentage to average loans are set forth below for the periods indicated.

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(Dollars in thousands)	
Provision for loan losses	$600	$600
Loan charge-offs	$240	$103
Recoveries	33	46
Net charge-offs	$207	$57
Annualized % to average loans	0.10%	0.03%

During the first quarter of 1992, consumer loans comprised approximately 50% of loans charged-off, with the balance of loan charge-offs representing commercial loans to two borrowers. The allowance for losses expressed as a percentage of total loans was 1.65%, 1.66% and 1.66% at March 31, 1992, December 31, 1991, and March 31, 1991, respectively.

Nonperforming Assets

The following table sets forth nonperforming assets (nonaccrual loans) and accruing loans which were delinquent for 90 days or more. There were no restructured loans or other real estate at the dates indicated.

	March 31, 1992	December 31, 1991	March 31, 1991
	(Dollars in thousands)		
Total nonperforming assets	$3,118	$2,184	$611
Loans delinquent for 90 days or more	7,424	4,113	2,844
Total nonperforming assets and loans delinquent for 90 days or more	$10,542	$6,297	$3,455
Total nonperforming assets as a percentage of total loans	0.36%	0.26%	0.08%
Total nonperforming assets and loans delinquent for 90 days or more as a percentage of total loans	1.22%	0.75%	0.47%

Nonperforming assets at March 31, 1992 were comprised of several loans which are secured by commercial real estate. Most of the loans delinquent for 90 days or more are secured by real estate and other collateral. The increase in delinquencies over the past year was attributable to the economic slowdown in the State of Hawaii. Management is constantly monitoring loan delinquencies and does not foresee any material losses arising from these loans. A continued decline in the general economic conditions in the State of Hawaii could result in an increase in nonperforming assets, additional loan loss provisions and higher net charge-offs.

Other Operating Income

Total other operating income in the first quarter of 1992 of $2,267,000 increased by $200,000 or 9.7% over the first quarter of 1991. Service charges on deposit accounts of $490,000 increased by $96,000 or 24.4% due to the increase in fees charged on deposit accounts. In addition, service charges on deposit accounts in the first quarter of 1992 reflects recognition of automated teller machine network service charges, which commenced in the second quarter of 1991. Other service charges and fees of $1,082,000 increased $103,000 or 10.5% due primarily to an increase in charge card fees, and other income of $178,000 decreased by $90,000 or 33.6% due to a decrease of $112,000 in gains on sale of loans.

Other Operating Expense

Total other operating expense of $9,775,000 for the first quarter of 1992 increased by $657,000 or 7.2% compared with the same period in 1991. Salaries and employee benefits of $5,179,000 increased by $349,000 or 7.2% due to an increase in the number of employees and general salary levels over 1991. Other expense of $2,905,000 increased by $158,000 or 5.8% due primarily to a $110,000 increase in FDIC deposit insurance premiums. The FDIC has proposed an increase in deposit insurance premiums which, if adopted, will result in additional insurance expense for 1993.

Income Taxes

The effective tax rate for the first quarter of 1992 and 1991 was 28.00% and 36.93%, respectively. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." A discussion of the requirements of SFAS No. 109 is included in the 1991 Annual Report to Shareholders.

Financial Condition

Total assets at March 31, 1992 of $1,194.9 million increased by $60.3 million or 5.3% from December 31, 1991. Net loans of $849.9 million increased by $28.1 million or 3.4%, Federal funds sold of $31.0 million increased by $16.0 million or 106.7%, and investment securities of $167.1 million increased by $9.8 million or 6.2%. The increase in loans from year-end 1991 occurred mainly in the commercial and industrial and nonresidential secured categories and was funded primarily by borrowings from the Federal Home Loan Bank of Seattle, which increased $22.4 million to $46.5 million during the first quarter of 1992.

Total deposits at March 31, 1992 of $1,033.2 million increased by $42.3 million or 4.3% from year-end 1991 primarily due to a large deposit received near the end of the quarter. Interest-bearing deposits of $876.4 million increased by $49.5 million or 6.0%, while noninterest-bearing deposits decreased by $7.1 million or 4.4%. Core deposits (noninterest-bearing demand, interest-bearing demand and savings deposits and time deposits under $100,000) at March 31, 1992 of $874.1 million increased by $52.7 million or 6.4% from year-end 1991. The increase in core deposits was largely due to the previously-mentioned quarter-end deposit. In addition, there was a shifting of funds from large deposit accounts into more liquid savings accounts as evidenced by the $10.4 million or 6.1% decrease in certificates of deposit over $100,000 to $159.1 million at March 31, 1992.

Capital Resources

Stockholders' equity of $92.2 million at March 31, 1992 increased by $2.5 million or 2.8% from December 31, 1991. When expressed as a percentage of total assets, stockholders' equity was 7.7% and 7.9% at those dates, respectively. The minimum leverage capital ratio as required by the Federal Reserve Board is 3.00%. The tier I and total risk-based capital ratios were 9.39% and 10.66%, respectively, at March 31, 1992 compared with 9.98% and 11.25%, respectively, at December 31, 1991. The transition period Federal Reserve Board risk-based capital ratio requirements are 3.62% and 7.25% for tier I and total capital, respectively. The final risk-based capital ratios to be achieved by December 31, 1992 are 4.0% and 8.00%, respectively. The growth in asset base, which exceeded the rate of growth in capital during the quarter ended March 31, 1992, contributed to the decrease in capital ratios.

On March 16, 1992, the Board of Directors declared an increase in quarterly dividends to $0.20 per share from $0.18 in the previous quarter and $0.16 in the first quarter of 1991. Dividends declared in the first quarter of 1992 totalled $1,038,000 compared to $804,000 in the first quarter of 1991.

Liquidity and Effects of Inflation

A discussion of liquidity and effects of inflation is included in the 1991 Annual Report to Shareholders. No significant changes in the Company's liquidity position or policies have occurred during the three months ended March 31, 1992.

PART II – OTHER INFORMATION

Items 1 to 3.

Items 1 to 3 are omitted pursuant to instructions to Part II.

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders (the "Meeting") held on April 28, 1992, shareholders were asked to approve an amendment to the Company's 1986 Stock Option Plan (the "Plan") to increase from 220,000 to 520,000 the number of shares available for issuance upon the exercise of stock options granted pursuant to the Plan (the "Stock Option Proposal"). The Stock Option Proposal was approved by the affirmative vote of 4,113,809 shares of Common Stock, or 79.3% of the shares entitled to vote at the Meeting. 45,055 shares of Common Stock, or 0.9% of the shares entitled to vote at the Meeting, were cast against the Stock Option Proposal.

Item 5.

Item 5 is omitted pursuant to instructions to Part II.

Item 6. Exhibits and Reports on Form 8–K

(a) Exhibits

None

(b) Reports on Form 8–K

The Company filed no reports on Form 8–K during the first quarter of 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CPB INC.
(Registrant)

Date: May 13, 1992

Yoshiharu Satoh
Chairman of the Board and
Chief Executive Officer

Date: May 13, 1992

Neal Kanda
Vice President and Treasurer
(Principal Financial and Accounting Officer)

CPB INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in thousands, except per share data)	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 58,506	$ 54,398
Interest-bearing deposits in other banks	34,387	32,082
Federal funds sold	31,000	15,000
Investment securities (market value $171,405 and $164,025 at March 31, 1992 and December 31, 1991, respectively)	167,123	157,299
Loans	864,128	835,666
Less allowance for loan losses	14,242	13,849
Net loans	849,886	821,817
Premises and equipment	23,333	23,716
Due from customers on acceptances	674	1,863
Accrued interest receivable	9,580	9,238
Investment in partnership	3,230	2,937
Other assets	17,173	16,239
Total assets	$ 1,194,892	$ 1,134,589
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing deposits	$ 156,754	$ 163,891
Interest-bearing deposits	876,433	826,971
Total deposits	1,033,187	990,862
Federal funds purchased and securities sold under agreements to repurchase	6,299	8,657
Other borrowed funds	47,251	27,367
Bank acceptances outstanding	674	1,863
Other liabilities	13,094	13,934
Subordinated capital note	200	200
Employee stock ownership plan note payable	2,000	2,000
Total liabilities	1,102,705	1,044,883
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares, none issued	-	-
Common stock, no par value, stated value $1.25 per share. Authorized 25,000,000 shares; issued and outstanding 5,190,722 and 5,186,322 shares at March 31, 1992 and December 31, 1991, respectively	6,488	6,483
Surplus	44,524	44,505
Retained earnings	43,175	40,718
	94,187	91,706
Employee stock ownership plan shares purchased with debt	(2,000)	(2,000)
Total stockholders' equity	92,187	89,706
Total liabilities and stockholders' equity	$ 1,194,892	$ 1,134,589
Book value per share	$ 17.76	$ 17.30

See accompanying notes to consolidated financial statements.

CPB INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Interest income:		
Interest and fees on loans	$ 20,408	$ 19,615
Interest on investment securities:		
Taxable interest	3,066	3,612
Tax-exempt interest	135	226
Dividends	120	–
Interest on deposits in other banks	309	787
Interest on Federal funds sold	116	187
Total interest income	24,154	24,427
Interest expense:		
Interest on deposits	9,744	11,619
Interest on other borrowed funds	661	196
Interest on subordinated capital note	4	8
Total interest expense	10,409	11,823
Net interest income	13,745	12,604
Provision for loan losses	600	600
Net interest income after provision for loan losses	13,145	12,004
Other operating income:		
Service charges on deposit accounts	490	394
Other service charges and fees	1,082	979
Partnership income	294	265
Fees on foreign exchange	202	161
Investment securities gains	21	–
Other	178	268
Total other operating income	2,267	2,067
Other operating expense:		
Salaries and employee benefits	5,179	4,830
Net occupancy	1,191	1,103
Equipment	500	438
Other	2,905	2,747
Total other operating expense	9,775	9,118
Income before income tax expense	5,637	4,953
Income tax expense	2,142	1,829
Net income	$ 3,495	$ 3,124
Per common share:		
Net income	$ 0.67	$ 0.62
Cash dividends declared	$ 0.20	$ 0.16
Weighted average shares outstanding (in thousands)	5,188	5,023

See accompanying notes to consolidated financial statements.

CPB INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net income	$ 3,495	$ 3,124
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600	600
Provision for depreciation and amortization	498	391
Amortization of investment securities discounts	(61)	(80)
Net deferred loan origination fees	(43)	(34)
Net gain on sale of loans	(100)	(212)
Net gain on investment securities called	(21)	–
Federal Home Loan Bank stock dividends	(120)	–
Amortization of core deposit premium	23	–
Increase (decrease) in deferred income taxes	(1,222)	394
Partnership income	(293)	(265)
(Increase) decrease in accrued interest receivable and other assets	(3,914)	723
Increase (decrease) in accrued interest payable and other liabilities	277	(37)
Net cash provided by (used in) operating activities	(881)	4,604
Cash flows from investing activities:		
Proceeds from maturities of and calls on investment securities	11,245	17,802
Purchases of investment securities	(20,867)	–
Net increase in interest-bearing deposits in other banks	(2,305)	(92)
Net loan originations over principal repayments	(30,571)	(31,480)
Proceeds from sale of loans	4,660	10,363
Purchases of premises and equipment	(115)	(7,288)
Net cash used in investment activities	(37,953)	(10,695)
Cash flows from financing activities:		
Net increase in deposits	42,325	37,530
Net increase (decrease) in other borrowings	17,526	(845)
Cash dividends paid	(933)	(804)
Proceeds from sale of common stock	24	20
Net cash provided by financing activities	58,942	35,901
Net increase in cash and cash equivalents	20,108	29,810
Cash and cash equivalents:		
At beginning of period	69,398	61,367
At end of period	$ 89,506	$ 91,177
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 10,880	$ 11,709
Cash paid during the period for income taxes	$ 1,000	$ –

See accompanying notes to consolidated financial statements.

CPB INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The financial information included herein is unaudited, except for the consolidated balance sheet at December 31, 1991. However, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of Management, necessary for a fair statement of results for the interim periods.

The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1992 Commission File Number 0-7713

EASTOVER CORPORATION
(Exact name of Registrant as specified in its charter)

Louisiana
(State or other jurisdiction of incorporation or organization)

72-6066263
(IRS Employer Identification No.)

300 One Jackson Place
188 East Capitol Street
P. O. Box 22728
Jackson, Mississippi
(Address of principal executive offices)

39225-2728
(Zip Code)

Registrant's telephone number, including area code (601)948-4091

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (a) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

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1,489,243 shares of beneficial interest (without par value) were outstanding at May 8, 1992, including 345,471 shares held in treasury.

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EASTOVER CORPORATION

FORM 10-Q

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FOR THE QUARTER ENDED MARCH 31, 1992

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Balance Sheets
(In thousands)

	March 31 1992 (Unaudited)	December 31 1991
Assets		
Real estate investments		
Real estate company	$ 16,511	$ 16,711
Real estate owned	2,910	2,984
Mortgage loans	77	78
	19,498	19,773
Cash	31	1
Other assets	457	313
	$ 19,986	$ 20,087

Liabilities and Shareholders' Equity

Liabilities

	March 31 1992	December 31 1991
Notes payable to bank	$ 4,144	$ 4,241
Note payable to affiliate	100	-
Dividends payable	143	143
Other liabilities	123	84
	4,510	4,468

Shareholders' Equity

	March 31 1992	December 31 1991
Shares of Beneficial Interest, no par value, authorized - unlimited; issued and outstanding - 1,489,243, including shares in treasury	23,244	23,244
Deficit, including undistributed earnings of real estate company	(1,709)	(1,572)
	21,535	21,672
Less: Treasury shares at cost - 345,471 shares in 1992 and 1991	(6,053)	(6,053)
Unrealized loss on securities	(6)	-
	15,476	15,619
	$ 19,986	$ 20,087

See notes to financial statements

Statements of Income and Deficit
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31	
	1992	1991
Revenues		
Equity in earnings of real estate company	$ 96	$ 217
Revenue from real estate owned	557	-
Interest	2	50
	655	267
Expenses		
Real estate owned		
Operating expense	467	-
Depreciation	33	-
Interest	72	96
General and administrative:		
Legal and professional	13	8
Other	64	64
	649	168
Net Income	6	99
Deficit at beginning of period	(1,572)	(1,167)
Dividends declared	(143)	(286)
Deficit at end of period	$ (1,709)	$ (1,354)
Net Income per share	$ .01	$ .09
Weighted average shares outstanding	1,144	1,144

See notes to financial statements

Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended March 31	
	1992	1991
Operating Activities		
Net Income	$ 6	$ 99
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	33	-
Equity in earnings of real estate company	(96)	(217)
Dividends received from operations of real estate company	290	381
Funds from operations	233	263
Changes in operating assets and liabilities:		
Increase in receivables	(88)	(40)
Increase (decrease) in accounts payable and accrued expenses	39	(76)
Cash provided by operating activities	184	147
Investing Activities		
Payments received on mortgage loans	1	-
Improvements to real estate owned	(15)	-
Cash provided by investing activities	(14)	-
Financing Activities		
Proceeds from notes payable to banks	295	513
Principal payments on notes payable to banks	(392)	(384)
Proceeds from note payable to affiliate	100	-
Dividends paid	(143)	(286)
Cash used in financing activities	(140)	(157)
Increase (decrease) in cash	30	(10)
Cash at beginning of period	1	35
Cash at end of period	$ 31	$ 25

See notes to financial statements

Notes to Financial Statements (Unaudited)

(1) Basis of Presentation

The accompanying financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The financial statements should be read in conjunction with the annual report and the notes thereto.

(2) Investment in Real Estate Company

Investment in real estate company consists of:

Investee	March 31, 1992 Ownership Percentage	Investment	Market Value
		(In thousands)	
EastGroup Properties	30.92%	$ 16,511	$ 10,485

At March 31, 1992, the Trust's recorded equity in its investment in EastGroup is $173,000 in excess of the Trust's cost.

Condensed unaudited statements of income from which the Trust recorded its equity in earnings of EastGroup is as follows:

	Three Months Ended March 31 1992	1991
	(In thousands)	
Revenues	$ 3,302	$ 3,400
Expenses	(2,991)	(2,688)
Net Income	$ 311	$ 712
Equity in earnings recorded by the Trust	$ 96	$ 217

EASTOVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION
(Comments are for the balance sheet dated March 31, 1992 compared to December 31, 1991.)

Assets of the Trust decreased $101,000 during the first quarter of 1992 to a balance of $19,986,000 at March 31, 1992. Liabilities increased $42,000 during the quarter to a balance of $4,510,000 at March 31, 1992.

During the first quarter of 1992, the Trust recorded equity in earnings of $96,000 from its investment in EastGroup Properties ("EastGroup"). This increase in the investment in real estate company was offset by dividends from EastGroup of $290,000 and an increase in the valuation allowance associated with EastGroup's investments in non-equity method investees of $6,000.

The Trust's investment in real estate owned decreased $74,000 during the first quarter. Following the Trust's December 1991 reclassification of the Ramada Inn mortgage loan investment to real estate owned, which reflected the Trust's "in substance" foreclosure of the property, the Trust funded capital improvements of $15,000 to the property and recorded depreciation expense of $33,000 for the quarter. The Trust also recorded a reclassification of $56,000 from the basis of the hotel to Other Assets, reflecting the property's net current assets at the beginning of the year. The Trust continues to pursue foreclosure of the hotel in the federal court system, but as of March 31, 1992, legal title to the property had not been transferred to the Trust.

Other assets of the Trust increased $144,000 during the first quarter of 1992. Of this amount, $56,000 represents the reclassification of the hotel's net current assets from real estate owned, discussed above. In addition, the Trust recorded a $90,000 receivable from the operations of the hotel for the first quarter. The Trust petitioned the court to allow the property to distribute cash flow from the hotel's current operations to the Trust. As of March 31, 1992, no cash flow had been received from the property.

Notes payable to banks decreased $97,000 during the quarter, while note payable to affiliate increased $100,000. The Trust's $900,000 line of credit with a commercial bank was renewed for $800,000, requiring a $100,000 principal reduction. The $800,000 line of credit has an interest rate of prime plus one and one quarter percent and matures June 10, 1992. The Trust made net advances of $3,000 on the $3,500,000 line of credit with a commercial bank. The note payable to affiliate at March 31, 1992 represents the Trust's $100,000 borrowings from The Parkway Company ("Parkway") under a note agreement dated December 31, 1991. Parkway is a member of the Eastover Group of companies. Interest on the note is due quarterly at a rate of prime plus one percent. The note matures December 31, 1993 and is secured by 16,000 shares of beneficial interest of EastGroup, which had a market value of $220,000 at March 31, 1992.

Shareholder's equity decreased $143,000 during the first quarter, reflecting net income of $6,000, an increase in unrealized loss on securities of $6,000 and dividends declared of $143,000.

RESULTS OF OPERATIONS

(Comments are for the three months ended March 31, 1992, compared to the three months ended March 31, 1991.)

Equity in earnings from the operations of EastGroup for the three months ended March 31, 1992 decreased $121,000 compared to the same period of the prior year. This decrease is partially caused by the sale of three land purchase-leaseback investments and the repayment of a $3,360,000 mortgage note receivable in 1991 which had higher yields than the invested cash proceeds. Real estate properties also reported a decrease in net operating income of $60,000 compared to 1991.

As a result of the December 1991 "in-substance" foreclosure on the Ramada Inn in New Orleans, the Trust recorded revenue from the hotel's operations of $557,000 and operating expenses of $467,000 for the first quarter of 1992. The property reported 69.18% occupancy and $36.80 average daily rate for the first three months of 1992 compared to 46.7% occupancy and $44.80 average daily rate for the first three months of 1991. During 1991, the Trust recorded interest income on the notes collateralized by the hotel of $45,000.

Interest expense decreased $24,000 compared to 1991, a result of lower interest rates on bank borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Dividends from EastGroup and advances on the short-term lines of credit continue to be the major sources of funds for the Trust. Cash dividends paid to shareholders, repayment of advances on the lines of credit and operating expenses account for the major uses of funds.

At March 31, 1992, the Trust had available for general corporate use, two short term lines of credit with commercial banks in the amount of $4,300,000 of which $4,144,000 was outstanding. One of these lines of credit, which had a principal balance of $800,000 as of March 31, 1992, is due and payable on June 10, 1992. The second line of credit, which had a principal balance of $3,344,000 at March 31, 1992, was due and payable on April 29, 1992. Subsequent to March 31, 1992, the Trust renewed the line of credit with a reduced limit of $3,414,000 at a rate of prime plus one and one quarter percent. The renewed line of credit matures June 1, 1992. The lender on the $3,414,000 line of credit insists that the Trust begin making scheduled principal reductions on the debt at that time. Due to the default on the $4,700,000 notes receivable secured by the Ramada Inn in New Orleans during 1991, and the lengthy court proceedings which have followed in an effort to obtain title to the property, the Trust has received no cash from this investment since September 1991. Until the Trust obtains title to the property and is successful in obtaining a mortgage on the property or finding a new buyer for the property, the Trust projects that it will be unable to make the requested principal reductions on bank debt while maintaining its status as a real estate investment trust ("REIT"). Management of the Trust is currently considering options which include:

__LIQUIDITY AND CAPITAL RESOURCES__ - continued

1. Obtaining a new line of credit from another institution or an affiliate of the Trust;
2. Business combination or major transaction with another real estate company;
3. Decreasing or eliminating the payment of dividends which will terminate the Trust's qualification as a REIT or "de-reiting". If the trust terminates its qualifications as a REIT, the Trust would be taxed as a corporation and distributions to shareholders would not be deductible by the Trust in computing its federal taxable income.

EASTOVER CORPORATION

PART II. OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: May 14, 1992

EASTOVER CORPORATION

BY: ______________________

N. Keith McKey
Senior Vice-President,
Chief Financial Officer
and Secretary

Sarah P. Clark
____

Sarah P. Clark
Controller

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended December 31, 1991

Commission File No. 33-37674-NY

EDG CAPITAL, INC.
(Exact name of Registrant as specified in its charter)

Incorporated under the laws of
the State of New York
(State or other jurisdiction of
incorporation of organization)

11-3023098
(I.R.S. Employer
Identification Number)

33 C. Montauk Highway
Blue Point, NY 11715
(Address of principal executive offices)

Registrant's telephone no., including area code: (516) 363-2319

No Change
Former name, former address, and former fiscal year, if changed since last report.

Common Stock outstanding at December 31, 1991 - 62,500 shares of $.001 par value Common Stock.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____.

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PART I - ITEM 1

FINANCIAL STATEMENTS

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of December 31, 1991, have been made. The result of operations for such interim period is not necessarily indicative of the results to be expected for the entire year.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company was formed August 13, 1990, for the purpose of investing in any and all types of assets, properties and businesses. In connection with its initial capitalization, the Company issued 12,500 shares of its Common Stock to its officers and directors for the aggregate sum of $2,500.

On June 12, 1991, the United States Securities and Exchange Commission granted effectiveness to a Registration Statement on Form S-18, filed by the Company in the New York Regional Office. The Registration Statement was for an offering of 50,000 Units of Common Stock at $1.00 per Unit. Each Unit consisted of one share of Common Stock, one Class "A" Common Stock Purchase Warrant, and one Class "B" Common Stock Purchase Warrant. The offering was a "blind pool" or "blank check" offering.

The offering was closed on November 11, 1991. All 50,000 Units offered were subscribed for and a total of $50,000 was deposited into the Company's Escrow Account.

The Registrant is seeking the acquisition of, or merger with an existing company.

Liquidity and Capital Resources. As of December 31, 1991, the Registrant had total assets of $35,405 and total liabilities of $1,479. This compares to total assets of $14,505 and total liabilities of $14,168 for the year ending June 30, 1991. The increase in assets as of December 31, 1991, from June 30, 1991, and the decrease in liabilities during the same period was the result of the Registrant closing its public offering. The Registrant has limited capital and will not be able to provide any meaningful infusion of capital to any acquisition or merger target.

Results of Operations. The Registrant has not commenced any active operations as of the date hereof except for its search of suitable acquisition candidates. No revenue has been generated by the Registrant since its inception. It is unlikely that the Registrant will have any revenues unless it is able to obtain additional capital or effect an acquisition of an operating company, of which there can be no assurance. For the quarter ended December 31, 1991, the Registrant had total expenses of $719 as compared with $1,996 for the quarter ending September 30, 1991.

For the six months ended December 31, 1991, the Registrant had no revenues and total expenses of $2,715. A six month comparison cannot be made with the revenues earned and expenses incurred by Registrant as of December 31, 1990, as the Registrant's inception date was August 13, 1990.

The Company's current expenses are being met by loans from management. There can be no assurance that management will continue to loan money to the Company to fund its operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings. To the best knowledge of the officers and directors, neither the Company nor any of its officers and directors are party to any legal proceeding or litigation. The officers and directors know of no such litigation being threatened or contemplated.

Item 2. Changes in the Rights of the Company's Security Holders. None.

Item 3. Defaults by the Company on its Senior Securities. None.

Item 4. Results of Votes of Security Holders. None.

Item 5. Other Information. None.

Item 6(a). Exhibits. None.

Item 6(b). Reports on Form 8-K. None.

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	DECEMBER 31, 1991 (UNAUDITED)	JUNE 30, 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 34,235	$ 2,655
OTHER ASSETS		
Deferred offering costs		11,850
Prepaid expense	1,170	
TOTAL ASSETS	$ 35,405	$ 14,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accrued expenses payable	$ 1,479	$ 9,168
Loan payable - Edwin Green		5,000
TOTAL LIABILITIES	1,479	14,168
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value 50,000,000 shares authorized, 62,500 and 12,500 shares issued and outstanding at December 31, 1991 and June 30, 1991	63	13
Capital in excess of par value	38,741	2,487
Deficit accumulated during development stage	(4,878)	(2,163)
TOTAL STOCKHOLDERS' EQUITY	33,926	337
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 35,405	$ 14,505

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Deficit Accumulated During Development Stage	Total Stockholde Equity
Balance, August 13, 1990 (inception)	0	$ 0	$ 0	$ 0	$ 0
Issuance of shares to Officer and Directors of the Company for cash, August 31, 1990	12,500	13	2,487		2,500
Net loss from August 13, 1990 (inception) to June 30, 1991				(2,163)	(2,163)
Balance, June 30, 1991	12,500	13	2,487	(2,163)	337
Public offering of common stock and warrants	50,000	50	49,950		50,000
Offering costs			(13,696)		(13,696)
Net loss for the six months ended December 31, 1991 (unaudited)				(2,715)	(2,715)
Balance, December 31, 1991 (unaudited)	62,500	$ 63	$ 38,741	$(4,878)	$ 33,926

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED DECEMBER 31, 1991	FROM INCEPTION AUGUST 13, 1990 TO DECEMBER 31,	
		1990	1991
REVENUE	NONE	NONE	NONE
EXPENSES			
Professional	1,687		2,887
Miscellaneous	49	53	133
Office	300		750
Filing fee	250		250
TOTAL	2,286	53	4,020
LOSS BEFORE INCOME TAXES	(2,286)	(53)	(4,020)
INCOME TAXES	429	429	858
NET LOSS	$(2,715)	$(482)	$(4,878)
EARNINGS (LOSS) PER SHARE:			
Net loss per share	$(.11)	$(.04)	$(.28)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,543	12,500	17,243

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED DECEMBER 31, 1991	1990
REVENUE	NONE	NONE
EXPENSES		
Professional	537	
Miscellaneous	32	25
Office	150	
TOTAL	719	25
LOSS BEFORE INCOME TAXES	(719)	(25)
INCOME TAXES		
NET LOSS	$(719)	$(25)
EARNINGS (LOSS) PER SHARE:		
Net loss per share	(.02)	NIL
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	38,587	12,500

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED DECEMBER 31, 1991	FROM INCEPTION AUGUST 13, 1990 TO DECEMBER 31,	
		1990	1991
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(2,715)	$(457)	$(4,878)
Increase (decrease) in accrued expenses	(600)	429	1,479
Increase in prepaid expenses	(1,170)		(1,170)
NET CASH USED IN OPERATING ACTIVITIES	(4,485)	(28)	(4,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock	50	13	63
Paid in capital	49,950	2,487	52,437
Increase (decrease) in deferred offering costs	11,850	(8,155)	
Stockholder loan payable - E. Green	(5,000)	5,000	
Increase (decrease) in accrued deferred offering costs	(7,089)	7,000	
Offering costs	(13,696)		(13,696)
NET CASH PROVIDED BY FINANCING ACTIVITIES	36,065	6,345	38,804
NET INCREASE IN CASH	31,580	6,317	34,235
BEGINNING CASH BALANCE	2,655		
ENDING CASH BALANCE	$ 34,235	$ 6,317	$ 34,235

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(719)	$(25)
Increase (decrease) in accrued expenses	(1,450)	
Increase in prepaid expenses	(1,170)	
NET CASH USED IN OPERATING ACTIVITIES	(3,339)	(25)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	50	
Paid in capital	49,950	
(Increase) decrease in deferred offering costs	13,450	(3,120)
Stockholder loan payable - E. Green	(5,200)	
Decrease in accrued deferred offering costs	(7,089)	
Offering costs	(13,696)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	37,465	(3,120)
NET INCREASE (DECREASE) IN CASH	34,126	(3,145)
BEGINNING CASH BALANCE	109	6,318
ENDING CASH BALANCE	$ 34,235	$ 3,173

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991
(UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND DIVIDEND POLICY

The Company was incorporated under the laws of the State of New York on August 13, 1990. The Company is in the development stage, and has not commenced planned principal operations. The fiscal year of the corporation is June 30. The Company has, at the present time, not paid any cash dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

GENERAL

The Company has entered into an oral arrangement with Edwin Green, President of the Company, providing for the use of a portion of his home as a temporary office until such time as the Company needs additional facilities. The Company will not pay rent for the use of such facilities. The office is located at 67 Westchester Drive, Rocky Point, New York 11778.

The financial data for the three and six months ended December 31, 1991 and the period August 13, 1990 (inception) to December 31, 1990 and 1991 is unaudited, but includes all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary, for a fair presentation of the results of operations for such periods.

EDG CAPITAL, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991
(UNAUDITED)

CAPITAL STOCK

On November 14, 1991 the Company completed its initial public offering. The offer was for 50,000 Units at $1.00 each for gross proceeds of $50,000. Each Unit comprised of one share of common stock (par value $.001) and one Class "A" and one Class "B" Common Stock Purchase Warrant.

As of December 31, 1991 the following warrants to purchase additional shares of common stock were outstanding:

	NO. OF WARRANTS	NO. OF SHARES	EXERCISE PRICE	EXERCISE DATE	EXPIRATION DATE
Class A	50,000	50,000	$ 5.00	12/13/91	6/14/93
Class B	50,000	50,000	10.00	12/13/91	12/13/93

June 9, 1992

RECD S.E.C.
JUN 10 1992
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Filing Desk Stop 1-4
Securities & Exchange Commission
450 Fifth Street N.W.
Washington, DC 20549-1004

Gentlemen:

Re: EDG Capital Inc.
Form 10Q - 12-31-91

After receiving the attached 10Q from my attorney, I signed the forms and intended to mail them immediately to you.

However, these papers were inadvertently misplaced and just came to my attention.

Sorry for any inconvenience I might have caused.

Thank you.

Sincerely,

EDG CAPITAL INC.

Edwin Green

0 21450

Q. 34812

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

REC'D S.E.C.

For Quarter Ended
March 31, 1992

Commission File Number
0-14812

EDISON CONTROL CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2716367 (I.R.S. Employer Identification No.)

140 Ethel Road West, Piscataway, New Jersey 08854
(Address of principal executive offices)
(Zip Code)

(908) 819-8800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x]   No [ ]

The number of shares of the registrant's common stock, par value $.01 per share, outstanding as of April 30, 1992 is 2,100,000.

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EDISON CONTROL CORPORATION
BALANCE SHEET
MARCH 31, 1992 AND DECEMBER 31, 1991

Assets	1992 (Unaudited)	1991
Current assets:		
Cash and cash equivalents	$1,474,169	$2,850,321
Investments	2,049,000	1,435,007
Marketable equity securities-at cost	1,547,000	897,500
Accounts receivable-trade	262,899	167,344
Accrued interest receivable	85,344	59,422
Accrued dividends	7,217	
Inventory	331,222	386,926
Prepaid expenses and deposits	62,368	21,468
Prepaid income taxes	423	1,400
Total current assets	5,819,642	5,819,388
Property and equipment, at cost	293,364	293,364
Less accumulated depreciation	210,785	204,598
Net property and equipment	82,579	88,766
Other assets	575	654
	$5,902,796	$5,908,808

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$42,152	$98,210
Accrued commissions	24,217	21,869
Accrued professional fees	14,150	28,123
Other accrued expenses	11,124	14,280
Reserve for warranty costs	56,322	59,500
Total current liabilities	147,965	221,982
Stockholders' equity:		
Preferred Stock,$.01 par value;1,000,000 shares authorized, none issued		
Common Stock,$.01 par value;10,000,000 shares authorized,2,100,000 shares issued and outstanding	21,000	21,000
Additional paid-in capital	6,026,694	6,026,694
Retained earnings (deficit)	(292,863)	(360,868)
Total stockholders' equity	5,754,831	5,686,826
	$5,902,796	$5,908,808

See Accompanying Note.

EDISON CONTROL CORPORATION
STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Unaudited)

	1992	1991
Net sales	$431,311	$395,019
Cost and expenses:		
Cost of sales	303,710	327,292
Selling, general and administrative	191,311	225,534
	495,021	552,826
Operating (loss)	(63,710)	(157,807)
Other income (expense);		
Gain on sale of marketable securities	53,308	
Interest and dividend income	96,895	116,232
Interest expense	(18,488)	(11,054)
Income (loss) before income tax	68,005	(52,629)
Provision for income taxes	26,000	
Extraordinary item - Reduction of income taxes arising from carryforward of prior years losses	(26,000)	
Net income (loss)	$68,005	($52,629)
Net income (loss) per share	$.03	($.03)
Average shares outstanding	2,100,000	2,100,000

See Accompanying Note.

EDISON CONTROL CORPORATION
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Cash received from customers	$335,756	$416,270
Cash paid to suppliers and employees	(528,590)	(661,443)
Interest received	58,333	97,165
Dividends received	5,418	
Gain on sale of marketable securities	53,308	
Interest and premium paid	(36,884)	(1,982)
Net cash used by operating activities	(112,659)	(149,990)
Cash flows from investing activities:		
Capital expenditures		(1,101)
Investment in certificates of deposit	(613,993)	(853,344)
Investment in marketable securities	(649,500)	
Net cash used in investing activities	(1,263,493)	(854,445)
Cash flows from financing activities:		
Principal payments on note obligations		(1,442)
Net cash used by financing activities		(1,442)
Net decrease in cash and cash equivalents	(1,376,152)	(1,005,877)
Cash and cash equivalents, beginning of year	2,850,321	3,711,455
Cash and cash equivalents, end of period	$1,474,169	$2,705,578

See Accompanying Note.

EDISON CONTROL CORPORATION
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Unaudited)

	1992	1991
Net income (loss)	$68,005	($52,629)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, amortization, reserves	6,266	9,833
Changes in assets and liabilities:		
Accounts receivable	(95,555)	21,251
Accrued interest receivable	(25,922)	(9,995)
Accrued dividend receivable	(7,217)	
Inventory	55,704	(75,921)
Prepaid expenses and deposits	(40,900)	(20,759)
Prepaid income taxes	977	4,156
Accounts payable	(56,058)	13,338
Accrued commissions	2,348	12,110
Accrued professional fees	(13,973)	(36,771)
Other accrued expenses	(3,156)	(14,603)
Reserve for warranty costs	(3,178)	
Total adjustments	(180,664)	(97,361)
Net cash used by operating activities	($112,659)	($149,990)

See Accompanying Note.

EDISON CONTROL CORPORATION
Note to Financial Statements

Note 1-Basis of Presentation

The balance sheet as of March 31, 1992 and the statements of income and cash flows for the three months ended March 31, 1992 are unaudited. In the opinion of management all material adjustments necessary for a fair presentation of such data have been made. Results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results which may be expected for any other interim period or for the year as a whole.

Item 2.

Management's Discussion and Analysis of Operations and Financial Condition.

Results of Operations

Net sales for the current first quarter of fiscal year 1992 increased $36,292 or 9.2 % compared with the comparable period of the prior year. The increase in sales is attributable to increased selling prices.

As a percentage of net sales, gross profit margin for the current first quarter increased to 29.6% compared with 17.1% for the comparable period of the prior year. The increase in the gross profit margin percentage was primarily due to higher selling prices and lower manufacturing costs in the current first quarter as compared with the comparable period of the prior year. These lower manufacturing costs pertain to all cost categories and apply to no individually significant item.

Selling, general and administrative expenses as a percentage of net sales for the current first quarter was 44.4% compared to 57.1% for the comparable period of the prior year. The decrease in selling, general and administrative expenses as a percentage of sales was primarily attributable to the higher level of sales and lower overall expenses for the current first quarter compared to the comparable quarter of the prior year. The lower selling, general and administrative expenses pertain to all expense categories and apply to no individually significant item.

The operating loss, before interest and dividend income of ($63,710) for the current first quarter decreased $94,097 compared with the comparable period of the prior year.

Interest and dividend income and gain on sales of marketable securities for the current first quarter was $150,203 compared with $116,232 for the comparable period of the prior year. The increase in investment income is attributable to the gain on the sale of marketable securities offset by lower interest earned on the Company's investments. In addition, interest expense increased $7,434 compared with comparable period of the prior year and is the result of interest paid on purchases of investment securities.

The provision for taxes in the current quarter have been provided at statutory rates offset by the federal and state tax benefit arising from the carryforward of prior years net operating losses.

Net income of $68,005 or $.03 cents per share for the current first quarter increased $120,634 compared to the net loss of ($52,629) or ($.03) cents per share for the comparable period of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company believes that it can fund its proposed capital expenditures and its operational requirements from future operations and its currently available cash, cash equivalents and short-term investments.

The Company has no long-term debt. Additionally at March 31, 1992 the working capital ratio was 39.3:1. At December 31, 1991, the working capital ratio was 26.2:1.

Part 11
Other Information

Item 5. Other Information

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EDISON CONTROL CORPORATION

April 30, 1992

By: ____________________
President

April 30, 1992

By: ____________________
Chief Financial and
Accounting Officer and
Treasurer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EDISON CONTROL CORPORATION

April 30, 1992

By: ______________________
President

April 30, 1992

By: ______________________
Chief Financial and
Accounting Officer and
Treasurer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992. Commission file number 0-19339

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EDMARK CORPORATION

(Exact name of Registrant as specified in its charter)

Washington	91-0858263
(State of Incorporation)	(I.R.S. Employer Identification No.)
6727 185th Ave. N.E., Redmond, WA	98052
(Address of Principal Executive Offices)	(Zip Code)

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Registrant's telephone number, including area code (206) 861-8200

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

As of March 31, 1992, there were 2,345,317 shares outstanding of the Registrant's Common Stock, no par value.

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EDMARK CORPORATION

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

EDMARK CORPORATION

Condensed Balance Sheets

March 31, 1992 and June 30, 1991

Assets	March 31, 1992 (unaudited)	June 30, 1991
Current Assets:		
Cash and cash equivalents	$ 579,991	$ 26,791
Trade accounts receivable, net	617,310	746,629
Inventories	958,853	819,602
Prepaid expenses	449,205	258,260
Deferred Federal income taxes	26,687	26,687
Total current assets	2,632,046	1,877,969
Equipment, at cost	660,593	465,574
Less accumulated depreciation	352,617	304,155
Net equipment	307,976	161,419
Other Assets:		
Intangible assets, net	25,552	44,716
Capitalized software costs, net	334,643	88,785
Deposits	33,946	38,446
Notes Receivable	85,693	
Total other assets	479,834	171,947
	$3,419,856	$2,211,335

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Condensed Balance Sheets
(Continued)

	March 31, 1992 (unaudited)	June 30, 1991
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to bank	$ -	$ 144,767
Trade accounts payable	296,254	381,359
Accrued liabilities	85,235	131,039
Accrued compensation	60,412	149,531
Federal income taxes payable	18,506	146,773
Total current liabilities	460,407	953,469
Stockholders' equity:		
Common stock, no par value	2,589,770	1,109,137
Retained earnings	369,679	148,729
Total stockholders' equity	2,959,449	1,257,866
	$3,419,856	$2,211,335

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Condensed Statements of Earnings
(unaudited)

Three Months and Nine Months Ended March 31, 1992 and 1991

	1992		1991	
	Three Months	Nine Months	Three Months	Nine Months
Net sales	$1,340,869	$3,979,734	$1,023,453	$2,893,370
Cost of sales	515,449	1,498,942	377,291	1,023,415
Gross profit	825,420	2,480,792	646,162	1,869,955
Operating expenses:				
Sales and marketing	362,908	1,017,627	217,863	692,402
General and administrative	366,743	1,061,838	348,712	835,727
Research and development	11,686	85,693	34,413	95,755
Total operating expenses	741,337	2,165,158	600,988	1,623,884
Operating income	84,083	315,634	45,174	246,071
Interest income (expense), net	8,518	26,701	(2,349)	(13,328)
Earnings before Federal income tax expense	92,601	342,335	42,825	232,743
Federal income tax expense	33,484	121,384	13,704	66,104
Net earnings	$ 59,117	$ 220,951	$ 29,121	$ 166,639
Net earnings per common share	$.02	$.10	$.02	$.09
Weighted average number of common shares outstanding	2,417,880	2,308,320	1,814,848	1,813,714

See accompanying notes to condensed financial statements.

EDMARK CORPORATION
Condensed Statements of Cash Flows
(unaudited)

	Nine months ended March 31, 1992	1991
Cash flows from operating activities:		
Net earnings	$ 220,951	166,639
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	79,468	72,034
Compensation expense related to issuance of common stock	-	8,125
Changes in certain assets and liabilities:		
(Increase) decrease in accts. rec.	129,318	(5,985)
(Increase) decrease in inventories	(139,251)	24,935
Increase in prepaid expenses	(190,945)	(172,235)
(Decrease) Increase in trade accts. pay.	(85,105)	5,136
Decrease in accrued liabilities	(45,804)	(28,068)
(Decrease) increase in accrued compensation	(89,119)	134,584
(Decrease) increase in income taxes payable	(128,267)	61,104
Total adjustments	(469,705)	99,630
Net cash (used in) provided by operating activities	(248,754)	266,269
Cash flows from investing activities:		
Purchase of equipment	(199,424)	(30,987)
Increase in capitalized software costs	(253,295)	-
Increase in notes receivable	(85,693)	-
(Increase) decrease in deposits	4,500	(46,941)
Net cash used in investing activities	(533,912)	(77,928)
Cash flows from financing activities:		
Decrease in net borrowing under line-of-credit agreement	(144,767)	(178,690)
Proceeds from issuance of common stock	1,480,633	-
Net cash provided by (used in) financing activities	1,335,866	(178,690)
Net increase (decrease) in cash and cash equivalents	553,200	9,651
Cash and cash equivalents at beginning of period	26,791	20,184
Cash and cash equivalents at end of period	$ 579,991	$ 29,835

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Notes to Condensed Financial Statements

(1) The unaudited condensed financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying condensed financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in the Company's 1991 Annual Report to Shareholders.

The information furnished reflects, in the opinion of the management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented.

(2) Certain reclassifications have been made in the fiscal 1991 financial statements in order for them to conform to the fiscal 1992 presentation.

(3) The components of inventory consist of the following:

	March 31, 1992 (unaudited)	June 30, 1991
Work in Process	$498,675	$488,937
Finished Goods	460,178	330,665
	$958,853	$819,602

(4) Per share information is based on the weighted average number of common shares and equivalents outstanding during each period as presented in the condensed statement of earnings. When dilutive, common stock equivalents are calculated under the treasury stock method.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Edmark is a publisher and distributor of educational software and materials, with over 20 years experience in the development of early learning products for the classroom and home. The Company also produces and distributes the TouchWindow, a touch screen input device that attaches to computer monitors with velcro. The Company specializes in the early childhood, special education and remedial market segments.

For the third quarter of fiscal 1992, net sales were $1,340,869, an increase of 31% over net sales of $1,023,453 in the same quarter last year. Net earnings for the period were $59,117, or $.02 per share, compared to net earnings of $29,121, or $.02 per share, for the third quarter last year. Earnings per share were the same as the prior period because the average number of shares outstanding in the current quarter (including equivalents for dilutive effects of options) increased from 1,814,848 shares to 2,417,880 shares. The increase in the average number of shares outstanding resulted from the Company's sale of common stock in August 1991.

Sales increased in all categories of products for the current period. Edmark's software and new product sales contributed strongly to the sales growth for the period. The Company's addition of exclusive distribution rights to the Dormac line of reading products in April 1991 contributed slightly more than one third of the sales gain for the quarter as well as year-to-date. Beginning in the fourth quarter of fiscal 1992, the Dormac line will be reflected in both the year ago and current quarter numbers for the first time. The Company was also pleased with the response to the Macintosh TouchWindow which the Company released in December, 1991 and which accounts for half of the increased sales in the TouchWindow line for the quarter.

Cost of sales increased from 36.9% of sales in the year ago third quarter to 38.4% in the third quarter of fiscal 1992. Therefore, the gross margin for the quarterly period was 61.6% compared to 63.1% in the prior period. The new Dormac line of products and the growth in non-proprietary software products were the primary factors that contributed to a lower gross margin. Although margins in the Dormac and non-proprietary product lines were at planned levels, these products have lower margins than other Edmark products.

Total operating expenses increased during the third quarter of fiscal 1992, but decreased as a percentage of sales from 58.7% of sales in the third quarter of fiscal 1991 to 55.3% of sales in the third quarter of fiscal 1992. The increase is mainly attributable to expenses associated with increased sales volume, additional marketing expenses of approximately $55,000 (primarily those related to the planned retail launch of the Company's new preschool educational products) and increased overhead related to the Company's move to a new office and warehouse facility on August 30, 1991. The prior year general and administrative expenses included severance accruals of $38,000.

In February 1992, the Company entered into an agreement to provide its landlord with up to $200,000 for tenant improvements related to the Company's move into the mezzanine floor of its current building during the fourth quarter of fiscal 1992. This note is to be repaid in monthly installments of $4,980 beginning June 1, 1992. The Company has obtained a bank commitment for a $200,000 term loan secured by tenant improvements to support this agreement.

The Company's working capital amounted to $2,171,639 at March 31, 1992, which represented an increase of $1,247,139 from working capital at June 30, 1991. The increase was primarily attributed to the Company's sale of common stock in August 1991.

Generally, the Company funds its business from cash generated by operations and a bank line of credit. The Company's business has a seasonal trend, with the first and fourth quarters of the fiscal year accounting for approximately 60% of net sales. Effective November 1, 1991, the Company renewed and increased to $1,300,000 its revolving line of credit to meet seasonal cash needs of its business. The line of credit is secured by inventory and accounts receivable. At March 31, 1992, no amount was outstanding on the line of credit.

On August 26, 1991, the Company completed a private placement sale of 530,501 shares of common stock at $3 per share which yielded net proceeds of $1,480,633. Those funds are being used for product development, retail launch of the Company's new preschool educational products and to finance expansion of the Company's office and warehouse facility.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Not Applicable

Item 2 - Changes in Securities

Not Applicable

Item 3 - Defaults Upon Senior Securities

Not Applicable

Item 4 - Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5 - Other Information

Not Applicable

Item 6 - Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Edmark Corporation
(Registrant)

Date

May 12, 1992

Sally G. Narodick
Chairman and Chief Executive Officer

May 12, 1992

Fred G. McCulloch
Secretary, Treasurer and
Principal Financial Officer

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[redacted]

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

REC'D S.E.C.
MAY 15 1992
181

For the quarter ended March 31, 1992

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

BEST COPY AVAILABLE

Commission File No. 0-12374

EQUITEX, INC.
(Exact Name of Registrant as Specified in its Charter)

63-03

PROCESSED BY
MAY 18 1992
L38

Delaware
(State or other jurisdiction of incorporation or organization)

84-0905189
(IRS Employer Identification No.)

7315 East Peakview Avenue, Bldg. 8
Englewood, Colorado
(Address of principal executive offices)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

80111
(Zip code)

(303) 796-8940
(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Number of shares of common stock outstanding at May 8, 1992: 148,204,208

EQUITEX, INC.

Part 1. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying interim unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included, and the disclosures are adequate to make the information presented not misleading. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. These statements should be read in conjunction with the financial statements and notes thereto included in the Annual 10-K Report (filed with the Securities and Exchange Commission) for the year ended December 31, 1391.

EQUITEX, INC.
Statements of Assets and Liabilities

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Investments, at fair value (cost of $1,931,384 and $1,926,576 in 1992 and 1991, respectively)	$14,105,013	$ 8,762,937
Cash	294,296	13,643
Restricted certificates of deposit	552,793	546,293
Notes receivable, net of allowance for uncollectible accounts of $299,622 and $294,806 in 1992 and 1991, respectively	1,253,024	1,170,251
Accrued interest receivable, net of allowance for uncollectible interest of $37,966 and $31,864 in 1992 and 1991, respectively	67,700	52,675
Accounts receivable - brokers	12,500	12,500
Trade receivables, net of allowance for uncollectible accounts of $26,466 in 1992 and 1991	43,535	27,763
Furniture and equipment, net of accumulated depreciation of $105,330 and $103,049 in 1992 and 1991, respectively	37,849	21,360
Other	14,128	4,584
	$16,380,838	$10,612,006

The accompanying note is a part of this statement.

(Continued)

EQUITEX, INC.
Statements of Assets and Liabilities

	March 31, 1992 (Unaudited)	December 31, 1991
LIABILITIES AND NET ASSETS		
Liabilities		
Notes payable to banks	$ 500,000	$ 500,000
Notes payable to others	273,734	277,090
Accounts payable and other accrued liabilities	385,879	407,277
Advance from related party	301,302	301,302
Accrued interest payable	58,262	56,619
Accrued bonus to officer	6,137	502,720
Obligation under capital lease	15,476	16,410
Subscription payable to controlled company	127,500	127,500
Payable to warrantholders	119,005	131,886
Deferred income taxes	3,774,468	1,695,067
	5,561,763	4,015,871
Contingency and subsequent events (Note 1)		
Net Assets		
Preferred stock, par value $.001; 50,000,000 shares authorized; no shares issued		
Common stock, par value $.001; 150,000,000 shares authorized; 148,204,206 shares issued and outstanding in 1992 and 1991	148,204	148,204
Additional paid-in capital	3,233,098	3,233,098
Retained earnings		
Accumulated deficit prior to becoming a BDC	(118,874)	(118,874)
Accumulated net investment loss	(6,193,901)	(5,864,187)
Accumulated net realized gains from sales and permanent write-downs of investments	5,350,140	4,049,883
Unrealized net gains on investments (net of deferred income taxes of $3,774,468 and $1,695,067 in 1992 and 1991, respectively)	8,400,408	5,148,011
	10,819,075	6,596,135
	$16,380,838	$10,612,006

The accompanying note is a part of this statement.

EQUITEX, INC.
Schedule of Investments
March 31, 1992
(Unaudited)

Company	Description of Business	Restrictions as to Resale	Number of Shares Owned	Cost and/or Equity	Fair Value
CONTROLLED COMPANIES					
Common Stocks - Public Market Method of Valuation (c) (e)					
CompuSonics Video Corporation	Digital Video Product Development		33,517,596	$ 3,507	$ 26,814
		(b) 9/90	18,700,000	52,987	13,090
Roadmaster Industries, Inc.	Manufacturer of Bicycles, Junior Wheel Goods and Fitness Equipment	(d)	6,359,169	751,309	8,584,878
Williams Controls, Inc.	Manufacturing and Marketing of Pneumatic and Hydraulic Valves	(g) (b) 10/91	1,286,812	233,377	407,211
			850,000	127,500	260,312
			5,000 units	15,000	5,500
MacGregor Sports & Fitness, Inc. (formerly Sports Acquisition Corporation)	Sporting Goods	(b) 3/94	1,220,566	12,135	3,539,641
			17,000 units	54,911	61,625
Common Stocks - Board Appraisal Method of Valuation (a)					
Florida Renegades	Minor League Football Team		360	110,438	77,307
Warrants - Board Appraisal Method of Valuation (f)					
Roadmaster Industries, Inc.	Manufacturer of Bicycles, Junior Wheel Goods and Fitness Equipment		296,562	10,000	185,481
Williams Controls, Inc.	Manufacturing and Marketing of Pneumatic and Hydraulic Valves		1,500,000	–	234,375
	Sub-total - CONTROLLED COMPANIES			1,371,164	13,396,234
AFFILIATED COMPANIES					
Common Stocks - Private Market Method of Valuation (a)					
Pro Mark, Inc.	Golf Equipment Manufacturer		150,000	15,000	15,000
Common Stocks - Board Appraisal Method of Valuation (a)					
MGS Acquisitions, Inc.	Sporting Goods		720,000	72,000	14,400
Warrants (f)					
Ajay Sports, Inc.	Manufacture/Market - Golf Products		600,000	–	259,000
Pro Mark, Inc.	Golf Equipment Manufacturer		400,000	–	–
	Sub-Total - AFFILIATED COMPANIES			87,000	288,400

The accompanying note is a part of this statement.

(Continued)

EQUITEX, INC.
Schedule of Investments (Page 2)
March 31, 1992
(Unaudited)

Company	Description of Business	Restrictions as to Resale	Number of Shares Owned	Cost and/or Equity	Fair Value
UNAFFILIATED COMPANIES					
Common Stocks - Public Market Method of Valuation (e)					
Equity Concepts	Manufacturing Holding Company		11,350	11,587	--
Gateway Communications, Inc.	Networking for Computers		500	200	688
Jones Optical	Producer of Sport and Sun Glasses	(b) 5/90	37,209	20,000	10,467
Medici	Medical Products		960	1,217	413
Meditech Pharmaceuticals, Inc.	Antiviral Products		500,000	40,000	29,220
National Industrial	Industrial Security		5,000	11,250	312
North Star	Computer Graphics		14,000	280	--
Taste It Presents	Chocolate Confectionery Products	(b) 4/89	666,000	666	11,988
Touchstone Software Corporation	Software Compatibility	(b)	17,350	15,615	5,856
Universal Cable	Cable Television		3,000	15,000	--
WMD Micro Distributors, Inc.	High Tech Product Distribution		4,267	20,905	14,935
Common Stocks - Private Market Method of Valuation (a)					
Ocean Power Technology	Technology Development		100,000	10,000	20,000
Common Stocks - Cost Method of Valuation (a)					
Exeter Group	Mergers and Acquisitions		98,040	50,000	50,000
Golden Palace	Casinos		100	200,000	200,000
2 Bl 2, Inc.	2 Wheel-drive Bicycles		51,000	76,500	76,500
	Sub-total - UNAFFILIATED COMPANIES			473,220	420,379
	Total - ALL COMPANIES			$ 1,931,384	$14,105,013

(a) Non-public company whose securities are privately owned.
(b) May be sold under the provisions of Rule 144 of the Securities Act of 1933 after a holding period which expires/expired in the month indicated.
(c) Since the Company is a greater than five percent shareholder, it may be affected by a sales limitation of one percent of the investee's outstanding common stock during any three-month period.
(d) Held by bank as collateral on a portfolio company's bank loan.
(e) A discount factor as determined by the Company's Board of Directors has been applied to those stocks, valued by the public market method, which have restrictions as to resale.
(f) Valued at higher of cost or fair market value of underlying stock less exercise price.
(g) 175,000 shares of this stock is pledged as collateral.

The accompanying note is a part of this statement.

EQUITEX, INC.
Schedule of Investments
December 31, 1991

Company	Description of Business	Restrictions as to Resale	Number of Shares Owned	Cost and/or Equity	Fair Value
CONTROLLED COMPANIES					
Common Stocks - Public Market Method of Valuation (c) (e)					
CompuSonics Video Corporation	Digital Video Product Development		33,517,596	$ 3,507	$ 26,814
		(b) 9/90	18,700,000	52,987	13,090
Roadmaster Industries, Inc.	Manufacturer of Bicycles, Junior Wheel Goods and Fitness Equipment	(d)	6,359,169	751,309	4,292,439
Williams Controls, Inc.	Manufacturing and Marketing of Pneumatic and Hydraulic Valves	(g)(b) 10/91	1,186,812	178,022	337,493
		(Note 6)	850,000	127,500	241,719
			5,000 units	15,000	6,000
Common Stocks - Board Appraisal Method of Valuation (a)					
Sports Acquisition Corporation	Sporting Goods		1,220,566	12,135	3,161,266
Florida Renegades	Minor League Football Team		360	110,438	77,307
Warrants - Board Appraisal Method of Valuation(f)					
Roadmaster Industries, Inc.	Manufacturer of Bicycles, Junior Wheel Goods and Fitness Equipment		1,476,562	10,000	75,173
Williams Controls, Inc.	Manufacturing and Marketing of Pneumatic and Hydraulic Valves		1,500,000	–	201,570
	Sub-total - CONTROLLED COMPANIES			1,260,898	8,432,871
AFFILIATED COMPANIES					
Common Stocks - Public Market Method of Valuation (c) (e)					
Action Communications, Inc.	Low Budget Action Movies		2,750,000	$ 71,074	$ –
		(b) 12/89	12,000,000	16,000	–
Common Stocks - Private Market Method of Valuation (a)					
Pro Mark, Inc.	Golf Equipment Manufacturer		150,000	15,000	15,000
Common Stocks - Board Appraisal Method of Valuation (a)					
MGS Acquisitions, Inc.	Sporting Goods		720,000	72,000	14,400

The accompanying note is a part of this statement.

(Continued)

EQUITEX, INC.
Schedule of Investments (Page 2)
December 31, 1991

Company	Description of Business	Restrictions as to Resale	Number of Shares Owned	Cost and/or Equity	Fair Value
AFFILIATED COMPANIES (Continued)					
Warrants (f)					
Action Communications, Inc.	Low Budget Action Movies		500,000	--	--
Ajay Sports, Inc.	Manufacture/Market - Golf Products		600,000	--	146,500
Pro Mark, Inc.	Golf Equipment Manufacturer		400,000	--	--
	Sub-total - AFFILIATED COMPANIES			174,074	175,900
UNAFFILIATED COMPANIES					
Common Stocks - Public Market Method of Valuation (e)					
CompuSonics Corporation	Digital Audio Product Development		698,000	27,531	698
		(b) 6/89	7,500,000	173,500	6,750
Equity Concepts	Manufacturing Holding Company		11,350	11,587	--
Gateway Communications, Inc.	Networking for Computers		500	200	781
Image Retailing	Consumer Electronics Specialty Stores		25,000	40,818	25,000
Immune Response	Immunology Research		10,000,000	5,000	--
Imutech, Inc.	Development of Biomedical Products		86,798	10,240	--
Jones Optical	Producer of Sport and Sun Glasses	(b) 5/90	37,209	20,000	--
Medici	Medical Products		960	1,217	221
Meditech Pharmaceuticals, Inc.	Antiviral Products		870,000	62,200	28,700
National Industrial	Industrial Security		5,000	11,250	250
North Star	Computer Graphics		14,000	280	280
Protectaire Systems	Equipment Manufacturer		5,000	10,000	5
San Juan Pools	Manufacturing Fiberglass Pools		6,226,515	1,355	5,604
Taste It Presents	Chocolate Confectionery Products	(b) 4/89	666,000	666	5,994
Touchstone Software Corporation	Software Compatibility	(b)	17,350	15,615	4,816
Universal Cable (Custom Private Cable)	Cable Television		3,000	15,000	--
Vida Ventures	Public Investment Pool		4,000	4,240	4,000
WMD Micro Distributors, Inc. (PC Craft)	High Tech Product Distribution		4,267	20,905	1,067

The accompanying note is a part of this statement.

(Continued)

EQUITEX, INC.
Schedule of Investments (Page 3)
December 31, 1991

Company	Description of Business	Restrictions as to Resale	Number of Shares Owned	Cost and/or Equity	Fair Value
Common Stocks -- Private Market Method of Valuation (a)					
Ocean Power Technology	Technology Development		100,000	10,000	20,000
Common Stocks -- Cost Method of Valuation (a)					
Exeter Group	Mergers and Acquisitions		98,040	50,000	50,000
	Sub-total - UNAFFILIATED COMPANIES			491,604	154,166
	Total - ALL COMPANIES			$ 1,926,576	$ 8,762,937

(a) Non-public company whose securities are privately owned.

(b) May be sold under the provisions of Rule 144 of the Securities Act of 1933 after a holding period which expires/expired in the month indicated.

(c) Since the Company is a greater than five percent shareholder, it may be affected by a sales limitation of one percent of the investee's outstanding common stock during any three-month period.

(d) Held by bank as collateral on a portfolio company's bank loan.

(e) A discount factor as determined by the Company's Board of Directors has been applied to those stocks, valued by the public market method, which have restrictions as to resale.

(f) Valued at higher of cost or fair market value of underlying stock less exercise price.

(g) 175,000 shares of this stock is pledged as collateral.

The accompanying note is a part of this statement.

EQUITEX, INC
Statements of Operations
(Unaudited)

	For the three months ended March 31,	
	1992	1991
Revenues		
Interest	$ 47,490	$ 37,273
Consulting fees	48,000	48,500
Administrative fees	23,161	
	118,651	85,773
Expenses		
Salaries and consulting fees	148,426	64,119
Officer's bonus	126,708	68,839
Office rent	11,678	12,852
Legal and accounting	70,141	55,831
Advertising and promotion	2,832	
Other general and administrative	58,811	36,123
Interest	19,869	32,611
Bad debt expense	7,620	32,293
Depreciation and amortization	2,281	2,220
	448,366	304,888
Net investment loss	(329,715)	(219,115)
Net realized gain on investments and net unrealized gain on investments:		
Proceeds from sales of investments	2,320,801	167,302
Less: cost of investments	705,845	51,351
Realized gain on investments	1,614,956	115,951
Permanent write-down of investments	(314,699)	
Net realized gain on investments before income taxes and extraordinary item	1,300,257	115,951
Net investment loss and net realized gain on investments before income taxes	970,542	(103,164)
Less: provision for income taxes	(316,686)	
Net investment loss and net realized gain (loss) on investments before extraordinary item	653,856	(103,164)

The accompanying note is a part of this statement.

(Continued)

EQUITEX, INC.
Statements of Operations (Page 2)
(Unaudited)

	For the three months ended March 31, 1992	1991
Extraordinary item		
Recovery of income taxes through utilization of net operating loss carryforward	$ 316,686	—
Net investment loss and net realized gain (loss) on investments	970,542	(103,164)
Increase in unrealized appreciation on investments	5,331,798	3,369,496
Less income tax expense applicable to increase in unrealized appreciation Deferred	2,079,401	—
	3,252,397	3,369,496
Net increase in net assets resulting from operations	$4,222,939	$3,266,332
Increase in net assets per share before extraordinary item	$ .03	$ .02
Extraordinary item per share	$ –	$ –
Increase in net assets per share after extraordinary item	$ .03	$ .02

The accompanying note is a part of this statement.

EQUITEX, INC.
Statements of Cash Flows
(Unaudited)

	For the three months ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net change in net assets	$4,222,939	$ 3,266,332
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,281	2,220
Provision for bad debts on notes receivable	4,814	11,519
Permanent write-down of worthless investments	314,699	
Realized (gain) on sale of investments	(1,614,956)	(115,951)
Unrealized (gain) on investments	(5,331,798)	(3,369,496)
Proceeds from sales of investments	2,320,801	167,302
Purchases of investments	(1,026,309)	
(Increase) decrease in certificates of deposit	(6,500)	460,845
Issuance of notes receivable	(92,100)	(7,338)
Collections of notes receivable		94,195
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	(15,025)	3,903
(Increase) in other assets	(9,544)	(7,043)
(Increase) in trade receivables	(15,772)	(18,132)
Increase (decrease) in accounts payable and other accrued liabilities	(21,398)	76,349
Increase in bank overdraft		12,036
(Decrease) in deferred revenue		(19,498)
Increase (decrease) in accrued interest payable	1,643	(7,360)
(Decrease) in amounts due to officer	(496,583)	(24,261)
(Decrease) in payable to warrantholders	(12,881)	
Increase in provision for deferred income taxes	2,079,401	
Net cash provided by operating activities	303,713	525,621
Cash flows from investing activities:		
Purchase of furniture and equipment	(18,770)	(389)
Payments on obligation under capital lease	(934)	(817)
Net cash (used) by investing activities	(19,704)	(1,206)

(continued)

The accompanying note is a part of this statement.

EQUITEX, INC.
Statements of Cash Flows (Page 2)
(Unaudited)

	For the three months ended March 31,	
	1992	1991
Cash flows from financing activities:		
Repayment of notes payable	$ (3,356)	$ (536,817)
Issuance of notes payable	—	12,000
Net cash (used) by financing activities	(3,356)	(524,817)
Increase (decrease) in cash	280,653	(402)
Cash, beginning of period	13,643	1,973
Cash, end of period	$ 294,296	$ 1,571
Supplemental disclosures of cash flow information:		
Interest paid	$ 17,681	$ 39,541
Interest received	$ 19,274	$ 38,068

The accompanying note is a part of this statement.

EQUITEX, INC.
Notes to Financial Statements
(Unaudited)

Note 1: Contingency and Subsequent Events

In April 1992, the Company advanced $205,000 to Ajay Sports, Inc. (Ajay), an investee company. The loan bears interest at 10% per annum and is due on demand. In May 1992, $200,000 of this loan was repaid. In addition, in April 1992, the Company agreed to guarantee $1,500,000 of Ajay's borrowings and pledged 1,000,000 shares of its Roadmaster Industries, Inc. common stock as collateral for the borrowings. Concurrently with this pledge, Security Pacific Business Credit released 1,000,000 shares of the Company's Roadmaster Industries, Inc. common stock that it was holding as collateral for the term loan of MacGregor.

In consideration of its general business and financial consulting services, including services in obtaining Ajay's credit facility, Ajay agreed to pay the Company $200,000 and a $50,000 advance on a one year consulting contract. In consideration of the guarantee provided by the Company to Ajay's lender, Ajay agreed to issue warrants to purchase up to 2,500,000 shares of Ajay's common stock at exercise prices of $1.00 to $1.50 per share, subject to adjustment. The warrants are exercisable for three years from the date of grant. The Company also has the right to designate one person to Ajay's board of directors for a two-year term.

PART I. FINANCIAL INFORMATION
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Material Changes in Financial Condition:

Net assets increased by $4,222,939 (or 64%) from December 31, 1991 to March 31, 1992 due primarily to increases in the fair values of two of the Company's investee companies: Roadmaster Industries, Inc. ("RMI") and MacGregor Sports & Fitness Products, Inc. (MacGregor). Roadmaster increased by $4,402,747 and MacGregor increased by $260,000. In addition, the Company invested a portion of the gains realized on the sale of Roadmaster stock during the quarter ended March 31, 1992 in the purchase of stock in two new investee companies at a combined cost of $276,500. Proceeds from the Roadmaster stock sale were also used to reduce the "Accrued bonus to officer" by $496,583, and "Accounts payable" by $21,398 from the respective balances at December 31, 1991. Cash increased during the period by $280,653.

With the acquisition of RMI in August 1987, the Company began concentrating on investments in more mature investee companies. Due to this change, the Company's net asset value and cash flows have fluctuated as a result of the market fluctuations of a few larger investees. As the Company increases the number of its investments in more mature companies, the Company's net asset value and cash flows should become less susceptible to the market fluctuations of these individual investee companies. The Company will continue to be susceptible to these market fluctuations until the Company adds more of these larger investee companies to its portfolio.

The Company's sources of income to defray operating overhead will be derived primarily from consulting fees which are expected to increase with the addition of new investee companies and potential investee companies, and transactions fees gained from the Company assisting both existing and new investees in structuring and completing asset-based financing transactions as well as the sale of portfolio securities from time to time.

The Company's liquidity is affected primarily by the business success, securities prices and marketability of its investee companies and by the amount and timing of any new or incremental investments it makes. The Company believes that its present liquidity and capital resources are adequate to finance anticipated needs arising from or relating to its business in the next year due to its increased ability to sell portions of its investee companies' stock positions as their restrictive covenants end.

The Company's largest investee company is RMI, a publicly held company which conducts most of its business through its wholly-owned subsidiaries, Roadmaster Corporation ("Roadmaster") and Hamilton Lamp Corporation ("Hamilton"). The Company owns common stock and warrants in RMI. Roadmaster is a leading manufacturer and distributor of bicycles, junior riding products and fitness equipment. Hamilton is a leading manufacturer of lamps and replacement shades. Management of the Company devotes significant efforts and resources to providing managerial assistance to RMI.

During April 1992, Roadmaster renegotiated its loan agreement for a total credit facility of up to $73,982,000. The agreement provides for a revolving line of credit of up to $63,500,000 and term loans of $10,482,000 and is substantially the same as the previous Combined Loan Arrangement except that Ajay Leisure Products, Inc. is now covered by

(Continued)

PART I. FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).

Material Changes in Financial Condition (Continued):

a separate agreement and the unconditional guarantees by both Roadmaster and Ajay Leisure of the other party have been eliminated. The initial term is to December 31, 1993, and is renewed automatically for successive one-year terms unless terminated by either the lender or Roadmaster. This new agreement continues to carry restrictive covenants which may limit RMI's ability to pay dividends to shareholders, including the Company. Two of the Company's other investee companies, Williams Controls, Inc. and MacGregor Sports & Fitness, Inc. also have similar restrictions in their lending arrangements.

The seasonal nature of Roadmaster's sales imposes fluctuating demands on its cash flow, due to the temporary build-up of inventories in anticipation of, and receivables subsequent to, the peak seasonal period which historically has been from August through November of each year. Roadmaster has relied heavily on revolving loan borrowings for its working capital. These loans provide Roadmaster with an immediate and continued source of liquidity. Roadmaster's total borrowings under its line of credit at December 31, 1991 were $63.9 million.

At December 31, 1991, on a consolidated basis RMI's total assets were $136,608,000 and its total liabilities were $124,865,000 with stockholders' equity of $11,172,000. RMI's borrowings under its line of credit represented 52% of its total assets. RMI's annual sales for 1991 were $212 million which represented a $43 million increase from 1990. RMI had net earnings of $2,028,000 for 1991 compared to a net loss of $5,860,000 for 1990.

In January 1992 Sports Acquisition Corporation (SAC) and Vida Ventures, Ltd., a publicly held company with assets of approximately $2,000,000, completed a merger and changed the name of the resulting company to MacGregor Sports & Fitness, Inc. In connection with this merger the Company exchanged 1,794,951 shares of its stock in SAC for 1,220,566 shares of common stock of MacGregor. At March 31, 1992, the Company's investment in MacGregor represented 24% of the fair market value of the Company's total investments.

As of March 31, 1992, the Company had made no other material commitments for capital expenditures. The Company expects that it will continue to sell certain of its investments, resulting in additional realized gains, during the remainder of the year. At the discretion of the Board of Directors, the Company also may sell certain of its investments resulting in a realized loss in order to prevent further losses from occurring. The Company expects to continue its trend of making investments in larger companies, and disposing of its investments in smaller companies.

Material Changes in Results of Operations:

The Company's net investment loss for the three months ended March 31, 1992 was $329,715 as compared to a loss of $219,115 for the same period in 1991. The increased loss is due to additional salaries and officer's bonus of $138,325 which was partially offset by a reduction in bad debt expense of $24,673. The net realized gain on investments of $1,300,257 for the three months ended March 31, 1992 increased from the gain of $115,951 for the same three months in 1991. The increased realized gains resulted from the exercise of Roadmaster warrants during the quarter and the sale of the related stock at a profit.

(Continued)

PART I. FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).

Material Changes in Results of Operations (Continued):

No such warrants were exercised during the quarter ended March 31, 1991. The Company recorded an increase in unrealized appreciation on investments (after the related income tax provision) of $3,252,397 for the first three months of 1992 as compared to an increase of $3,369,496 in the first three months of 1991. The 1992 and 1991 increases were due primarily to increases in the fair value of Roadmaster.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) 10.1 - Equitex Limited and Non-Recourse Guaranty

10.2 - Amendment No. 1 to Equitex Non-Recourse Guaranty

10.3 - Equitex Pledge Agreement

10.4 - Amendment No. 1 to MacGregor Equitex Pledge Agreement

(b) No reports on Form 8-K were filed during the current quarter

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITEX, INC.

(Registrant)

By____________________
Henry Fong
President, Treasurer and Chief Financial Officer

Date: May 13, 1992

EXHIBIT 10.1

EQUITEX LIMITED AND NON-RECOURSE GUARANTY

THIS LIMITED AND NON-RECOURSE GUARANTY is made as of this 14th day of April, 1992, by Equitex, Inc., a Delaware corporation, having its principal place of business and chief executive office at 7315 East Peakview, Englewood, Colorado 80111 (the "Guarantor") in favor of Security Pacific Business Credit Inc., a Delaware corporation having an office at 55 West Monroe Street, Suite 3600, Chicago, Illinois 60603 ("Lender").

WHEREAS, the Guarantor is the legal and beneficial owner of certain warrants exercisable into approximately twenty percent of the issued and outstanding capital stock of Ajay Sports Corp., a Delaware corporation ("Sports");

WHEREAS, Sports is the legal and beneficial owner of all of the issued and outstanding capital stock of Ajay Leisure Products, Inc., a Delaware corporation (the "Debtor");

WHEREAS, the Lender has entered into a certain Second Amended and Restated Loan and Security Agreement of even date herewith (as the same may hereafter be amended, supplemented or otherwise modified from time to time, the "Loan Agreement") with the Debtor;

WHEREAS, pursuant to the Loan Agreement, the Debtor has incurred, expects simultaneously with the execution hereof to, and will hereafter, incur "Obligations" (as defined in the Loan Agreement) (all Obligations specifically arising under the terms of the Loan Agreement being hereinafter referred to as the "Indebtedness"); and

WHEREAS, in connection with the loans to Debtor pursuant to the Loan Agreement, Lender has requested that Guarantor guarantee, on a limited and non-recourse basis, repayment of the Indebtedness, including the outstanding principal amount thereof and all accrued and unpaid interest with respect thereto (collectively, the "Guaranteed Amount");

WHEREAS, the Guarantor will derive substantial benefit and advantage from the financial accommodations to the Debtor set forth in the Loan Agreement including the loans made to the Debtor thereunder, and it will be to the Guarantor's direct interest and economic benefit to assist the Debtor in procuring said financial accommodations from the Lender;

NOW, THEREFORE, for and in consideration of the premises and in order to induce the Lender to enter into the Loan Agreement and the Lender to make loans thereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows (unless otherwise defined herein all capitalized terms used herein shall have their meanings as set forth in the Loan Agreement):

1. Guaranty of Payment.

(a) The Guarantor hereby unconditionally guaranties, on a non-recourse basis, the full and prompt payment to the Lender, when due, upon demand, at maturity or by reason of acceleration or otherwise and at all times thereafter, of any and all of the Guaranteed Amount, it being understood that Lender's sole right to recover from Guarantor shall be limited to the capital stock of Roadmaster Industries, Inc. pledged by Guarantor to Lender pursuant to the Equitex Pledge Agreement (as hereafter defined) and that Lender shall have no right of recourse against any other assets of Guarantor or against Guarantor individually. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE GUARANTOR'S TOTAL LIABILITY HEREUNDER AND UNDER THE EQUITEX PLEDGE AGREEMENT SHALL BE LIMITED TO ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000).

(b) The Guarantor acknowledges that valuable consideration supports this Guaranty, including, without limitation, the consideration set forth in the recitals above as well as any commitment to lend, extension of credit or other financial accommodation, whether heretofore or hereafter made by the Lender to the Debtor; any extension, renewal or replacement of any of the Obligations; any forbearance with respect to any of the Obligations or otherwise; any cancellation of an existing guaranty; any purchase of any of the Debtor's assets by the Lender; or any other valuable consideration.

(c) The Guarantor agrees that all payments under this Guaranty shall be made in United States currency and the same manner as provided for the Obligations.

2. The Lender's Costs and Expenses.

The Guarantor agrees to pay on demand, if not paid by the Debtor, all reasonable costs and expenses of every kind incurred by the Lender: (a) in enforcing this Guaranty, (b) in collecting any of the Guaranteed Amount from the Guarantor, and (c) in realizing upon or protecting any collateral for this Guaranty. "Costs and expenses" as used in the preceding sentence shall include, without limitation, the actual reasonable attorneys' fees incurred by the Lender in retaining counsel for advice, suit, appeal, any insolvency or other proceedings under the United States Bankruptcy Code or otherwise, or for any purpose specified in the preceding sentence.

3. Nature of Guaranty; Continuing, Absolute and Unconditional; Security.

(a) This Guaranty is and is intended to be a continuing guaranty of payment of the Guaranteed Amount, independent of and in addition to any other guaranty, indorsement, collateral or other agreement held by the Lender therefor or with respect thereto, whether or not furnished by the Guarantor. The Guarantor shall have no right of subrogation with respect to any payments made by the Guarantor hereunder, and hereby waives any benefit of, and any right to participate in, any security or collateral given to the Lender to secure payment of the Indebtedness, until all of the Indebtedness outstanding or contracted or committed for (whether or not outstanding) is paid in full, and the Guarantor agrees that it will not take any action to enforce any obligations of the Debtor to the Guarantor prior to the Indebtedness being paid in full, provided that, in the event of the bankruptcy or insolvency of the Debtor, the Lender shall be entitled notwithstanding the foregoing, to file in the name of the Guarantor or in its own name a claim for any and all indebtedness owing to the Guarantor by the Debtor, vote such claim and to apply the proceeds of any such claim to the Guaranteed Amount.

(b) For the further security of the Lender and without in any way diminishing the liability of the Guarantor, following the occurrence of an Event of Default and acceleration of the Obligations, all debts and liabilities, present or future of the Debtor to the Guarantor and all monies received from the Debtor or for its account by the Guarantor in respect thereof shall be received in trust for the Lender and forthwith upon receipt shall be paid over to the Lender, until all of the Guaranteed Amount has been paid in full. This assignment and postponement is independent of and severable from this Guaranty and shall remain in full effect whether or not the Guarantor is liable for any amount under this Guaranty.

(c) This Guaranty is absolute and unconditional and shall not be changed or affected by any representation, oral agreement, act or thing whatsoever, except as herein provided. This Guaranty is intended by the Guarantor to be the final, complete and exclusive expression of the guaranty agreement between the Guarantor and the Lender. No modification or amendment of any provision of this Guaranty shall be effective unless in writing and signed by a duly authorized officer of the Lender.

(d) This Guaranty is secured by a pledge of certain shares of the capital stock (such stock, together with any additional shares which may subsequently be pledged to the Lender pursuant to the terms of the Equitex Pledge Agreement (as defined below), shall be collectively referred to herein as the "Stock") of Roadmaster Industries, Inc. ("Roadmaster") owned by the

Guarantor and pledged to the Lender pursuant to that certain Pledge Agreement (the "Equitex Pledge Agreement") of even date herewith between the Guarantor and the Lender and, notwithstanding anything to the contrary contained herein, the Lender's recourse under this Guaranty shall be limited to its rights under the Equitex Pledge Agreement.

4. Certain Rights and Obligations.

(a) The Guarantor authorizes the Lender, without notice, demand or any reservation of rights against the Guarantor and without affecting the Guarantor's obligations hereunder, from time to time: (i) to renew, extend, increase, accelerate or otherwise change the time for payment of, the terms of or the interest on the Obligations or any part thereof or grant other indulgences to the Debtor or others; (ii) to accept from any Person and hold collateral for the payment of the Obligations or any part thereof, and to modify, exchange, enforce or refrain from enforcing, or release, compromise, settle, waive, subordinate or surrender, with or without consideration, such collateral or any part thereof; (iii) to accept and hold any indorsement or guaranty of payment of the Obligations or any part thereof, and to discharge, release or substitute any such obligation of any such indorser or guarantor, or any Person who has given any security interest in any collateral as security for the payment of the Obligations or any part thereof, or any other Person in any way obligated to pay the Obligations or any part thereof, and to enforce or refrain from enforcing, or compromise or modify, the terms of any obligation of any such indorser, guarantor, or Person; (iv) subject to the provisions of the Pledge Agreement with respect to the Stock, to dispose of any and all collateral securing the Obligations in any manner as the Lender, in its sole discretion, may deem appropriate, and to direct the order or manner of such disposition and the enforcement of any and all endorsements and guaranties relating to the Obligations or any part thereof as the Lender in its sole discretion may determine; (v) except as otherwise provided in the Loan Agreement, to determine the manner, amount and time of application of payments and credits, if any, to be made on all or any part of any component or components of the Obligations (whether principal, interest, fees, costs, and expenses, or otherwise) including, without limitation, the application of payments received from any source to the payment of indebtedness other than the Indebtedness even though the Lender might lawfully have elected to apply such payments to the Indebtedness to amounts which are not covered by this Guaranty; and (vi) to take advantage or refrain from taking advantage of any security or accept or make or refrain from accepting or making any compositions or arrangements when and in such manner as the Lender, in its sole discretion, may deem appropriate and generally do or refrain from doing any act or thing which might otherwise, at law or in equity, release the liability of Guarantor as a guarantor or surety in whole or in part, and in no case shall the Lender be responsible or shall the Guarantor be released either in whole or in part for any act or omission in connection with the Lender having sold any security at an under value; provided that such sale is made in a commercially reasonable manner.

(b) If any default shall be made in the payment of any of the Guaranteed Amount and any grace period has expired with respect thereto, subject to the terms of the first sentence of Section 7 of the Equitex Pledge Agreement, the Guarantor hereby agrees to pay the same in full: (i) without deduction by reason of any setoff, defense (other than payment) or counterclaim of the Debtor; (ii) without requiring presentment, protest or notice of nonpayment or notice of default to the Guarantor, to the Debtor or to any other Person; (iii) without demand for payment or proof of such demand or filing of claims with a court in the event of receivership, bankruptcy or reorganization of the Debtor; (iv) without requiring the Lender to resort first to the Debtor (this being a guaranty of payment and not of collection) or to any other guaranty or any collateral which the Lender may hold; (v) without requiring notice of acceptance hereof or assent hereto by the Lender; and (vi) without requiring notice that any of the Indebtedness has been incurred, extended or continued or of the reliance by the Lender upon this Guaranty; all of which the Guarantor hereby waives.

(c) The Guarantor's obligation hereunder shall not be affected by any of the following, all of which the Guarantor hereby waives: (i) any failure to perfect or continue the perfection of any security interest in or other lien on any collateral securing payment of any of the Obligations or the Guarantor's obligation hereunder; (ii) the invalidity, unenforceability, propriety of manner of enforcement of, or loss or change in priority of any such security interest or other lien or guaranty of the Obligations; (iii) any failure to protect, preserve or insure any such collateral; (iv) failure of the Guarantor to receive notice of any intended disposition of such collateral; (v) any defense arising by reason of the cessation from any cause whatsoever of liability of the Debtor including, without limitation, any failure, negligence or omission by the Lender in enforcing its claims against the Debtor; (vi) any release, settlement or compromise of any obligation of the Debtor; (vii) the invalidity or unenforceability of any of the Obligations; (viii) any change of ownership of the Debtor or the insolvency, bankruptcy or any other change in the legal status of the Debtor; (ix) any change in, or the imposition of, any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Obligations; (x) the existence of any claim, setoff or other rights which the Guarantor may have at any time against the Lender or the Debtor in connection herewith or any unrelated transaction; (xi) the Lender's election, in any case instituted under chapter 11 of the United States Bankruptcy Code, of the application of section 1111(b) of the United States Bankruptcy Code; (xii) any borrowing, use of cash collateral, or grant of a security interest by the Debtor, as debtor in possession, under sections 363 or 364 of the United States Bankruptcy Code; (xiii) the disallowance of all or any portion of any of the Lender's claims for repayment of the Indebtedness under sections 502 or 506 of the United States Bankruptcy Code; or (xiv) any other fact or circumstance which might otherwise constitute grounds at law or equity for the discharge or release of the Guarantor from its obligations hereunder, all whether or not the Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (i) through (xiv) of this paragraph. Without limiting the generality of the foregoing waivers or any rights reserved by the Lender under this Guaranty or otherwise, following the Lender's delivery of notice to the Guarantor pursuant to Paragraph 7 of the Equitex Pledge Agreement of the Lender's intended disposition of the stock, the Lender shall permit the Guarantor, during the ten-day period commencing with the delivery of such notice (provided that the Guarantor, on one occasion only, may elect to extend such ten-day period for an additional twenty days upon delivery of written notice of such election to the Lender within two days following the delivery of the Lender's notice pursuant to said Paragraph 7), to purchase all, but not less than all, of the Obligations from the Lender for a cash purchase price equal to the full outstanding amount of the Obligations, upon receipt of which the Lender shall assign to the Guarantor, without recourse, and the Guarantor shall assume, all of the Lender's rights and obligations under the Loan Agreement and the other Loan Documents. The foregoing shall not be deemed to grant to the Guarantor any option, right or other interest of any nature whatsoever in the Obligations prior to the Guarantor's purchase thereof as provided above.

5. Representations and Warranties.

The Guarantor further represents and warrants to the Lender that: (i) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged; (ii) it has full power, authority and legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary action to authorize the guarantee hereunder on the terms and conditions of this Guaranty and to authorize the execution, delivery and performance of this Guaranty; and (iii) this Guaranty has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

6. Negative Pledge.

The Guarantor covenants with the Lender that the Guarantor shall not grant a security interest in or permit a lien, claim or encumbrance upon the Stock in favor of any third party other than (i) its pledge to the Lender of the Stock pursuant to the Equitex Pledge Agreement and (ii) its pledge to the Lender of the remaining shares of capital stock of the Company pledged to the Lender pursuant to that certain Equitex Pledge Agreement dated as of May 9, 1991 executed by the Guarantor in connection with its guaranty of certain indebtedness of MacGregor Sports Products, Inc., a Delaware corporation.

7. Termination.

This Guaranty shall remain in full force and effect until all of the Guaranteed Amount shall be finally and irrevocably paid in full. The Guarantor further agrees that, to the extent that the Debtor makes a payment or payments to the Lender on the Guaranteed Amount, or the Lender receives any proceeds of collateral securing the Guaranteed Amount which payment or receipt of proceeds or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be returned or repaid to the Debtor, its estate, trustee, receiver, debtor in possession or any other Person, including, without limitation, any Guarantor, under any insolvency or bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such payment, return or repayment, the obligation or part thereof which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date when such initial payment, reduction or satisfaction occurred, and this Guaranty shall continue in full force notwithstanding any contrary action which may have been taken by the Lender in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Lender's rights under this Guaranty and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

8. Assumption of Liens and Indebtedness.

To the extent that the Guarantor has received or shall hereafter receive contributions to its capital consisting of assets of the Debtor that are subject, at the time of such contribution, to liens and security interests in favor of the Lender in accordance with the Loan Agreement, the Guarantor hereby expressly agrees that (i) it shall hold such assets subject to such liens and security interests and subject to the terms of the Loan Agreement and (ii) it shall be liable for the payment of the Obligations secured thereby. The Guarantor's obligations under this Section 9 shall be in addition to its obligations as set forth in other sections of this Guaranty and not in substitution therefor or in lieu thereof.

9. Miscellaneous.

(a) The terms "Debtor" and the "Guarantor" as used in this Guaranty shall include: (i) any successor individual or individuals, association, partnership or corporation to which all or a substantial part of the business or assets of the Debtor or the Guarantor shall have been transferred and (ii) any other corporation into or with which the Debtor or the Guarantor shall have been merged, consolidated, reorganized, or absorbed.

(b) Without limiting any other right of the Lender, whenever the Lender has the right to declare any of the Indebtedness to be immediately due and payable (whether or not it has been so declared), the Lender at its sole election without notice to the undersigned may appropriate and set off against the Indebtedness: (i) any and all indebtedness or other moneys due or to become due to the Guarantor by the Lender in any capacity and (ii) any credits or other property belonging to the Guarantor (including all account balances, whether provisional or final and whether or not collected or available) at any time held by or coming into the possession of the Lender, or any affiliate of the Lender, whether for deposit or otherwise, whether or not the indebtedness or the obligation to pay such moneys owed by the Lender is then due, and the Lender shall be deemed to have exercised such right of set off immediately at the time of such election even though any charge therefor is made or entered on the Lender's records subsequent thereto.

(c) The Guarantor's obligation hereunder, subject to the first sentence of Section 7 of the Equitex Pledge Agreement, is to pay the Guaranteed Amount when due according to the Loan Agreement up to the extent provided herein, and shall not be affected by any stay or extension of time for payment by the Debtor resulting from any proceeding under the United States Bankruptcy Code or any similar law.

(d) No course of dealing between the Debtor or the Guarantor and the Lender and no act, delay or omission by the Lender in exercising any right or remedy hereunder or with respect to any of the Obligations shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. The Lender may remedy any default by the Debtor under any agreement with the Debtor or with respect to any of the Obligations in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. All rights and remedies of the Lender hereunder are cumulative.

(e) This Agreement shall inure to the benefit of the Lender under the Loan Agreement.

(f) Captions of the sections of this Guaranty are solely for the convenience of the Lender and the Guarantor, and are not an aid in the interpretation of this Guaranty.

(g) THE GUARANTOR AGREES THAT ANY ACTION OR PROCEEDING TO ENFORCE OR ARISING OUT OF THIS GUARANTY MAY BE COMMENCED IN THE FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, OR IF SUCH COURT DENIES JURISDICTION, IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS, AND THE GUARANTOR WAIVES PERSONAL SERVICE OF PROCESS AND AGREES THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR PROCEEDING IN ANY SUCH COURT SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED BY MESSENGER OR REGISTERED MAIL TO THE GUARANTOR AND, IF BY REGISTERED MAIL, SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED THREE (3) DAYS AFTER THE SAME SHALL HAVE BEEN POSTED, OR AS OTHERWISE PROVIDED BY THE LAWS OF ILLINOIS OR THE UNITED STATES.

(h) If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective.

(i) THIS GUARANTY AND THE TRANSACTIONS EVIDENCED HEREBY SHALL BE CONSTRUED UNDER THE INTERNAL LAWS (AS OPPOSED TO CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS.

10. Waivers.

(a) THE GUARANTOR WAIVES THE BENEFIT OF ALL VALUATION, APPRAISAL AND EXEMPTION LAWS.

(b) IN THE EVENT OF A DEFAULT UNDER THE LOAN AGREEMENT, THE GUARANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, ALL RIGHTS TO NOTICE AND HEARING OF ANY KIND PRIOR TO THE EXERCISE BY THE LENDER OF ITS RIGHTS UNDER THE PLEDGE AGREEMENT, THE LOAN AGREEMENT OR OTHERWISE WITH RESPECT TO THE COLLATERAL, WITHOUT PRIOR NOTICE OR HEARING, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREUNDER OR THEREUNDER. THE GUARANTOR ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS TRANSACTION AND THIS GUARANTY.

(c) THE GUARANTOR ACKNOWLEDGES THAT THE TIME AND EXPENSE REQUIRED FOR TRIAL BY JURY EXCEED THE TIME AND EXPENSE REQUIRED FOR A BENCH TRIAL AND HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY, ANY OBJECTION BASED ON FORUM NON CONVENIENS, ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER, AND WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF THE LENDER.

EQUITEX, INC.

By:____________________

Title: Pres

EXHIBIT 10.2

Amendment No. 1 to Equitex Non-Recourse Guaranty

This Amendment No. 1 dated April 14, 1992 (this "Amendment"), is entered into by and between Equitex, Inc., a Delaware corporation ("Equitex") and Security Pacific Business Credit Inc., a Delaware corporation ("Lender").

WHEREAS, Equitex executed that certain Equitex Non-Recourse Guaranty dated May 9, 1991 in favor of the Lender (the "Guaranty") in connection with the making of certain loans to MacGregor Sports Products, Inc. ("MacGregor") by Lender;

WHEREAS, in order to secure its obligations under the Guaranty, Equitex also executed that certain Equitex Pledge Agreement dated May 9, 1991 in favor of the Lender (the "MacGregor Equitex Pledge Agreement") whereby Equitex pledged all of the stock it owned of Roadmaster Industries, Inc. ("RMI") to Lender;

WHEREAS, on the date hereof, in connection with the execution of that certain Second Amended and Restated Loan and Security Agreement between Ajay Leisure Products, Inc. and Lender, Equitex has entered into that certain Equitex Pledge Agreement in favor of the Lender dated the date hereof whereby certain of the shares of stock of RMI previously pledged under the MacGregor Equitex Pledge Agreement were pledged to the Lender;

WHEREAS, Equitex and Lender have agreed to amend the Guaranty on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties hereto hereby agree as follows:

1. Amendment to the Guaranty. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the same meaning applied to them in the Guaranty. Effective as of the date hereof, the Guaranty is hereby amended as follows:

1.1 Section 3(d) of the Guaranty is hereby amended by deleting it in its entirety and replacing it with the following:

> "(d) This Guaranty is secured by the pledge of certain shares of the capital stock (as such shares may be reduced from time to time in accordance with the terms of the Equitex Pledge Agreement (as defined below), the "Stock") of Roadmaster Industries, Inc. ("Roadmaster") owned by the Guarantor and pledged to the Lender pursuant to that certain Equitex Pledge Agreement of even date herewith between the Guarantor and the Lender (as the same may have been heretofore or hereafter amended, restated or otherwise modified, the "Equitex Pledge Agreement") and, notwithstanding anything to the contrary contained herein, the Lender's recourse under this Guaranty shall be limited to its rights under the Equitex Pledge Agreement."

1.2 Section 6 of the Guaranty is hereby amended by deleting it in its entirety and replacing it with the following:

"6. Negative Pledge

The Guarantor covenants with the Lender that the Guarantor shall not grant a security interest in or permit a lien, claim or encumbrance upon the Stock in favor of any third party other than (i) its pledge to the Lender of the Stock pursuant to the Equitex Pledge Agreement and (ii) its pledge to the Lender of the remaining shares of capital stock of the Company owned by the Guarantor pledged to the Lender pursuant to that certain Equitex Pledge Agreement dated as of April 14, 1992 executed by the Guarantor in connection with its Guaranty of certain indebtedness of Ajay Leisure Products, Inc., a Delaware corporation."

2. Representations and Warranties of Equitex.

2.1 Equitex represents and warrants that the execution, delivery and performance by it of this Amendment have been duly authorized by all necessary corporate action, and that this Amendment is a legal, valid and binding obligation of Equitex enforceable against it in accordance with its terms, except as the enforcement thereof may be subject to (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (b) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

2.2 Equitex hereby certifies that each of the representations and warranties contained in the Guaranty is true and correct in all material respects on and as of the date hereof as if made on the date hereof and that it has performed all agreements on its part to be performed prior to the date hereof as set forth in the Guaranty.

3. Reference to and Effect Upon the Guaranty

3.1 Except as specifically amended above, the Guaranty shall remain in full force and effect and is hereby ratified and confirmed.

3.2 The execution, delivery and effectiveness of this Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to any waiver or modification of any term or condition of the Guaranty or (ii) prejudice any right, power or remedy which Lender now has or may have in the future under or in connection with the Guaranty. Upon the effectiveness of this Amendment, each reference in the Guaranty to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Guaranty as amended hereby and each reference to the Equitax Pledge Agreement shall mean the Equitax Pledge Agreement as amended on or about the date hereof.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

5. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws (as opposed to conflicts of law provisions) of the State of Illinois.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date and year first above written.

EQUITEX, INC.

By: ______________________

Title: Pres

SECURITY PACIFIC BUSINESS
CREDIT INC.

By: Marvin W. Spencer

Title: Vice President

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4-13-92\10:38pm

EXHIBIT 10.3

EQUITEX PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT made as of this 14th day of April, 1992 (this "Agreement"), is by and between EQUITEX, INC., a Delaware corporation ("Pledgor") and SECURITY PACIFIC BUSINESS CREDIT INC., a Delaware corporation ("Pledgee").

WHEREAS, the Pledgor is the legal and beneficial owner of the shares of issued and outstanding capital stock of Roadmaster Industries, Inc., a Delaware corporation (the "Company"), described on Exhibit A hereto;

WHEREAS, Ajay Leisure Products, Inc., a Delaware corporation ("Ajay") and the Pledgee have entered into a certain Second Amended and Restated Loan and Security Agreement dated the date hereof (as the same may hereafter be amended, supplemented or otherwise modified from time to time, the "Loan Agreement");

WHEREAS, the Pledgor, an affiliate of Ajay, has guaranteed the obligations of Ajay to the Pledgee under the Loan Agreement pursuant to that certain Guaranty of even date herewith between Pledgor and Pledgee (the "Guaranty");

WHEREAS, the Pledgor wishes to secure the performance of its obligations under the Guaranty, and to that effect to pledge to the Pledgee the Pledged Shares (as defined below) owned by the Pledgor;

NOW, THEREFORE, in consideration of the premises contained herein and in order to induce the Pledgee to make the loans under the Loan Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby agrees with the Pledgee, as follows:

1. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given them in the Loan Agreement. Terms defined in the Illinois Uniform Commercial Code which are not otherwise defined in this Agreement or in the Loan Agreement are used in this Agreement as defined in the Illinois Uniform Commercial Code as in effect on the date hereof.

2. Pledge; Pledge of Additional Stock. (a) The Pledgor hereby pledges, assigns, hypothecates, transfers, delivers and grants to the Pledgee a first lien on and first security interest in the shares of capital stock of the Company described on Exhibit A hereto (such stock, together with any additional shares of capital stock which may be pledged after the date hereof pursuant to subsection 2(b) below, being collectively referred to herein as the "Pledged Shares"), all other property hereafter delivered to the Pledgor in substitution for the Pledged Shares and in all proceeds thereof, and any other property of the Pledgor with

respect to the Pledged Shares, as described in Section 4 below, now or hereafter delivered to, or in the possession or in the custody of, the Pledgee and any and all proceeds thereof, as collateral security for (i) the performance and payment of the obligations and the liabilities of the Pledgor under the Guaranty howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing or due or to become due, and (ii) the due and punctual payment and performance by the Pledgor of its obligations and liabilities under, arising out of or in connection with this Agreement (all of the foregoing being collectively referred to hereinafter as the "Liabilities"). The Pledged Shares are presently represented by the stock certificates listed on *Exhibit A* hereto, which stock certificates, with undated stock powers duly executed in blank by the Pledgor, are presently in the possession of the Pledgee. The Pledgee shall maintain possession and custody of the certificates representing the Pledged Shares in accordance with Section 5 below and shall return the Pledged Shares in accordance with said section.

(b) In addition to the foregoing, at any time that the bid price quoted for the Pledged Shares falls below $1.50 per share as listed in the NASDAQ Bid and Asked Quotations as published in *The Wall Street Journal* from time to time, the Pledgor hereby agrees to pledge, assign, hypothecate, transfer and deliver to Pledgee additional shares of the capital stock of Company (together with an amended *Exhibit A* hereto) in a sufficient number so that the aggregate value of the Pledged Shares, after giving effect to the pledge of such additional shares, is at least $1,500,000 at all times, as determined by reference to such NASDAQ Bid and Asked Quotations.

(c) Notwithstanding anything to the contrary herein, it is understood and agreed that the collateral pledged hereunder consists solely of the capital stock of the Company owned by the Pledgor and set forth on *Exhibit A* hereto, additional shares of capital stock of the Company which may be pledged pursuant to Subsection 2(b) above, and any additions thereto or substitutions therefor in connection with stock splits, stock dividends, reclassifications, combinations, reorganizations, mergers or the like as described in Section 4 below, and, subject to Section 5(a) hereof, cash dividends and other cash proceeds therefrom, and that the Pledgee shall have no right of recourse against any other assets of Pledgor or against Pledgor individually.

3. *Representations and Warranties of the Pledgor*. The Pledgor represents and warrants to the Pledgee that:

(a) *Exhibit B* sets forth (i) the authorized capital stock of the Company and (ii) the number of shares of capital stock of the Company that are issued and outstanding as of the date hereof. The Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Shares, and such shares are and will remain free and clear of all pledges, liens, security interests and other encumbrances and restrictions whatsoever, except the liens and security interests created by this Agreement and except for restrictions on transfer solely to the extent arising under applicable state or federal securities laws;

(b) The Pledgor has full power, authority and legal right to execute the pledge provided for herein and to pledge the Pledged Shares to the Pledgee;

(c) This Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable against the Pledgor in accordance with its terms;

(d) There are no outstanding options, warrants or other agreements with respect to the Pledged Shares;

(e) The Pledged Shares have been duly and validly authorized and issued, are fully paid and non-assessable;

(f) No consent, approval or authorization of or designation or filing with any authority on the part of the Pledgor is required in connection with the pledge and security interest granted under this Agreement;

(g) The execution, delivery and performance of this Agreement will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, or of the charter or bylaws of the Pledgor or the Company or of any securities issued by the Company or of any mortgage, indenture, lease, contract, or other agreement, instrument or undertaking to which either the Pledgor or the Company is a party or which purports to be binding upon the Pledgor or the Company or upon any of their respective assets, and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of the Pledgor or the Company except as contemplated by this Agreement; and

(h) The pledge and assignment of such Pledged Shares pursuant to this Agreement creates a valid first lien on and a first perfected (assuming the Pledgee maintains possession of such Pledged Shares) security interest in such Pledged Shares and the proceeds thereof in favor of the Pledgee, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Pledgor which would include the Pledged Shares. The Pledgor covenants and agrees that it will defend the Pledgee's right, title and security interest in and to the Pledged Shares and the proceeds thereof against the claims and demands of all persons whomsoever.

(i) None of the transactions contemplated in this Agreement will violate or reuslt in the violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, wihtout limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

4. Stock Dividends, Distributions, etc. If, while this Agreement is in effect, the Pledgor becomes entitled to receive or receives any stock certificate representing capital stock of the Company with respect to the Pledged Shares (including, without limitation, any certificate representing a stock dividend or a stock distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization), or any options or rights representing capital stock of the Company, in substitution for, or in exchange for any of the Pledged Shares, or otherwise with respect to the Pledged Shares, the Pledgor agrees to accept the same as the Pledgee's agent and to hold the same in trust for the Pledgee, and to deliver the same forthwith to the Pledgee in the exact form received, with the endorsement of the Pledgor when necessary and/or appropriate undated stock powers duly executed in blank, to be held by the Pledgee subject to the terms hereof, as additional collateral security for the Liabilities. In case any distribution of capital shall be made on or in respect of the Pledged Shares or any property shall be distributed upon or with respect to the Pledged Shares pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Pledgee to be held by it as additional collateral security for the Liabilities. All sums of money and property so paid or distributed in respect of the Pledged Shares which is received by the Pledgor shall, until paid or delivered to the Pledgee, be held by the Pledgor in trust as additional collateral security for the Liabilities.

5. Administration of Security. The following provisions shall govern the administration of the Pledged Shares:

(a) So long as no Event of Default has occurred and is continuing, the Pledgor shall be entitled (subject to the other provisions hereof, including, without limitation, Section 8 below) (i) to vote or consent with respect to the Pledged Shares and otherwise exercise the incidents of ownership thereof in any manner not inconsistent with this Agreement or any Loan Document; and (ii) to receive cash dividends or other cash distributions in the ordinary course made in respect of the Pledged Shares. The Pledgor hereby grants to the Pledgee or its nominee an irrevocable proxy to exercise all voting and corporate rights relating to the Pledged Shares in any instance, including, without limitation, to approve any merger involving the Company as a constituent corporation, which proxy shall be effective immediately upon the occurrence and during the continuance of an Event of Default. After the occurrence and during the continuance of an Event of Default and upon request of the Pledgee, the Pledgor agrees to deliver to the Pledgee such further evidence of such irrevocable proxy or such further irrevocable proxies to vote the Pledged Shares as the Pledgee may request.

(b) Upon the occurrence and during the continuance of an Event of Default, in the event that the Pledgor, as record and beneficial owner of the Pledged Shares, has received or has become entitled to receive, any cash dividends or other cash distributions in the ordinary course, the Pledgor shall deliver to the Pledgee, and the Pledgee shall be entitled to receive and retain, all such cash or other cash distributions as additional security for the Liabilities; provided that upon such Event of Default being cured, the Pledgee shall return such portion of any such cash dividends or other cash distributions received and retained by the Pledgee as have not been applied to the Liabilities.

(c) Subject to any sale or other disposition by the Pledgee of the Pledged Shares or other property pursuant to this Agreement, upon full payment, satisfaction and termination of all of the Liabilities and the termination pursuant to Section 14 hereof of the liens and security interests hereby granted, the Pledged Shares and any other property then held as part of the Pledged Shares in accordance with the provisions of this Agreement shall be returned to the Pledgor.

6. Rights of the Pledgee. The Pledgee shall not be liable for failure to collect or realize upon the Obligations or any collateral security or guaranty therefor, or any part thereof, or for any delay in so doing, nor shall the Pledgee be under any obligation to take any action whatsoever with regard thereto. Any or all of the Pledged Shares held by the Pledgee hereunder may, if an Event of Default has occurred and is continuing, without notice, be registered in the name of the Pledgee or its nominee and the Pledgee or its nominee may thereafter without notice exercise all voting and corporate rights at any meeting with respect to the Company and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Shares as if it were the absolute owner thereof, including, without limitation, the right to vote in favor of, and to exchange at its discretion any and all of the Pledged Shares upon, the merger, consolidation, reorganization, recapitalization or other readjustment with respect to the Company or upon the exercise by the Company or the Pledgee of any right, privilege or option pertaining to any of the Pledged Shares, and in connection therewith, to deposit and deliver any and all of the Pledged Shares with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions

as the Pledgee may determine, all without liability except to account for property actually received by the Pledgee but the Pledgee shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing. Once the Event of Default has been cured in its entirety the Pledgee agrees to allow the Pledged Shares to be reregistered in the name of the Pledgor, provided, however, the Pledgee shall have the right to take the actions described herein at any other time upon the occurrence of an Event of Default.

7. Remedies. Sixty (60) days after the occurrence of an Event of Default and thereafter during the continuance of any such Event of Default, the Pledgee, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Shares, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of (including the disposition by merger) and deliver said Pledged Shares, or any part thereof, in one or more portions at public or private sale or sales or transactions, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere upon such terms and conditions as the Pledgee may deem advisable and at such prices as it may deem best, for any combination of cash and/or securities or other property or on credit or for future delivery without assumption of any credit risk, with the right to the Pledgee upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Shares so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby expressly waived or released. The Pledgee shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization, sale or disposition, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the safekeeping or otherwise of any and all of the Pledged Shares or in any way relating to the rights of the Pledgee hereunder, including reasonable attorneys' fees and legal expenses, first to the payment, in whole or in part, of the Liabilities in such order (unless a court of competent jurisdiction shall otherwise direct) as the Pledgee may elect. The Pledgor shall remain liable for any deficiency remaining unpaid after such application solely to the extent of any remaining Pledged Shares. The Pledgor agrees that the Pledgee need not give more than ten days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Pledgor if it has signed after default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and

remedies granted to the Pledgee in this Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Obligations or the Liabilities, the Pledgee shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Illinois and under any other applicable law. The Pledgor further agrees to waive and agrees not to assert any rights or privileges which they may acquire under section 9-112 of the Uniform Commercial Code of the State of Illinois; provided, that the Pledgor shall be liable for any deficiency solely to the extent of any remaining Pledged Shares if the proceeds of any sale or other disposition of the Pledged Shares are insufficient to pay all amounts to which the Pledgee is entitled, and the reasonable fees of any attorneys employed by the Pledgee to collect such deficiency and any other costs and expenses incurred by the Pledgee.

8. Disposition, etc. Without the prior written consent of the Pledgee, the Pledgor agrees that it will not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Shares, nor will the Pledgor create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Shares, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Agreement. Without the prior written consent of the Pledgee, the Pledgor agrees that it will not vote to enable the Company to (a) issue any stock or other securities of any nature in addition to or in exchange or substitution for the Pledged Shares, or (b) dissolve, liquidate, retire any of its capital stock, reduce its capital or merge or consolidate with any other Person.

9. Sale of Pledged Shares. (a) In connection with any sale of the Pledged Shares pursuant to the terms of this Pledge Agreement, the Pledgor recognizes that the Pledgee may be unable to effect a public sale or disposition (including, without limitation, any disposition in connection with a merger of a Company) of any or all the Pledged Shares by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act"), and applicable state securities laws, but may be compelled to resort to one or more private sales or dispositions thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Pledgee agrees to give the Pledgor ten (10) days notice prior to such action pursuant to Section 9 hereof to Pledgor's address specified in or pursuant to Section 19 hereof. The Pledgor acknowledges and agrees that any such private sale or disposition may result in prices and other terms (including the terms of any securities or other property received in connection therewith) less favorable to the seller than if such sale or disposition were a public sale or disposition and, notwithstanding

such circumstances, agrees that any such private sale or disposition shall be deemed to be reasonable and affected in a commercially reasonable manner if it would otherwise qualify as a commercially reasonable sale. The Pledgee shall be under no obligation to delay a sale or disposition of any of the Pledged Shares in order to permit the Pledgor or the Company to register such securities for public sale under the Act, or under applicable state securities laws, even if the Pledgor or the Company would agree to do so.

(b) The Pledgor further agrees to do or cause to be done all such other acts and things as may be necessary to make such sale or sales or dispositions of any portion or all of the Pledged Shares valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales or dispositions, all at the Pledgor's expense, provided that the Pledgor shall be under no obligation to take any action to enable any or all of the Pledged Shares to be registered under the provisions of the Act or to prepare and file a prospectus in connection therewith. The Pledgor further agrees that a breach of any of the covenants contained herein will cause irreparable injury to the Pledgee, that the Pledgee has no adequate remedy at law in respect of such breach and, as a consequence, agrees, that each and every covenant herein shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing under the Loan Agreement.

10. Further Assurances. The Pledgor agrees that at any time and from time to time upon the written request of the Pledgee, the Pledgor will execute and deliver all stock powers, financing statements and such further documents and do such further acts and things as the Pledgee may reasonably request consistent with the provisions hereof in order to affect the purposes of this Agreement.

11. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. No Waiver; Cumulative Remedies. The Pledgee shall not by any act, delay, omission or otherwise be deemed to have waived any of its remedies hereunder, and no waiver by the Pledgee shall be valid unless in writing and signed by the Pledgee and then only to the extent therein set forth. A waiver by the Pledgee of any right or remedy hereunder on any one occasion shall not be

construed as a bar to any right or remedy which the Pledgee would otherwise have on any further occasion. No course of dealing between the Pledgor and the Pledgee and no failure to exercise, nor any delay in exercising on the part of the Pledgee any right, power or privilege hereunder or under the Loan Agreement shall impair such right or remedy or operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

13. Successors; Applicable Law. This Agreement and all obligations of the Pledgor hereunder shall be binding upon the successors and assigns of the Pledgor, and shall, together with the rights and remedies of the Pledgee hereunder, inure to the benefit of the Pledgee and their successors and assigns, except that the Pledgor shall not have any right to assign its rights or obligations under this Agreement or any interest herein without the prior written consent of the Pledgee. **THIS AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS (AS OPPOSED TO CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS.**

14. Termination. This Agreement and the liens and security interests granted hereunder shall terminate upon full and complete performance and satisfaction of the Liabilities.

15. Possession of Collateral. Beyond the exercise of reasonable care to assure the safe custody of the Pledged Shares in the physical possession of the Pledgee pursuant hereto, neither the Pledgee, nor any nominee of any of them shall have any duty or liability to collect any sums due in respect thereof or to protect, preserve or exercise any rights pertaining thereto, and shall be relieved of all responsibility for the Pledged Shares upon surrendering them to the Pledgor.

16. Survival of Representations. All representations and warranties of the Pledgor contained in this Agreement shall survive the execution and delivery of this Agreement.

17. Taxes and Expenses. Without limiting the Pledgee's rights under Paragraph 7 hereof, the Pledgor acknowledges that the proceeds from any sale or other disposition of the Pledged Shares may be applied by the Pledgee to the payment of (a) any taxes (excluding income taxes, franchise taxes or other taxes levied on gross earnings, profits or the like) payable or ruled payable by any federal or state authority in respect of this Agreement, together with interest and penalties, if any, and (b) all reasonable expenses, including the reasonable fees and expenses of counsel for the Pledgee and of any experts and agents that the

Pledgee may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Shares, (iii) the exercise or enforcement of any of the rights of the Pledgee hereunder, or (iv) the failure of the Pledgor to perform or observe any of the provisions hereof.

18. Agent Appointed Attorney-In-Fact. Upon the occurrence and during the continuance of an Event of Default, the Pledgor hereby irrevocably appoints the Pledgee as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion reasonably exercised, to take any action and to execute any instrument that the Pledgee deems reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Shares or any part thereof and to give full discharge for the same, when and to the extent permitted by this Agreement; provided, the foregoing shall not be deemed an authorization of Pledgee to sign any registration statement or other documents for filing in connection with or under the Act on behalf of the Pledgor.

19. Notices. Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied, telexed or sent by overnight courier service or United States mail certified or registered and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by telecopy or telex, on the date of transmission if transmitted on a Business Day before 5:00 p.m. (Chicago time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, two Business Days after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after depositing in the United States mail, with postage prepaid and properly addressed.

Notices shall be addressed as follows:

(a) If to Pledgor:

Equitex, Inc.
1225 U.S. Highway One
Suite 215
Juno Beach, Florida 33408
Attn: Henry Fong

with a copy to:

Keck, Mahin & Cate
8300 Sears Tower
233 South Wacker Drive
Chicago, Illinois 60606
Attn: C. Frederick LeBaron, Jr.

(b) If to Pledgee:

Security Pacific Business Credit Inc.
55 West Monroe Street
Chicago, Illinois 60603
Attn: Vice President

with a copy to:

Security Pacific Business Credit Inc.
10124 Old Grove Road
San Diego, California 92131
Attn: General Counsel

and with a copy to:

Winston & Strawn
35 W. Wacker Drive
Chicago, Illinois 60601
Attn: James W. Doran

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 19. A notice not given as provided above shall, if it is in writing, be deemed given if and when actually received by the party to whom given.

20. Changes in Writing. No amendment, modification, termination or waiver of any provision of this Agreement or consent to any departure by the Pledgor therefrom, shall in any event be effective without the written concurrence of the Pledgee and the Pledgor, and then only to the extent specifically set forth in such writing.

21. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

23. Entire Agreement. This Agreement embodies the entire agreement and understanding between the Pledgor and the Pledgee and supersedes all prior oral and written agreements and understandings between the Pledgor and the Pledgee relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered on the date first above written.

EQUITEX, INC.

By: ______________________

Title: Pres

SECURITY PACIFIC BUSINESS CREDIT INC.

By: Marvin W. Spencer

Title: Vice President

EXHIBIT A
to Pledge Agreement

DESCRIPTION OF PLEDGED SHARES

Issuer	Certificate No.	Date of Issuance	No. of Shares	State of Incorporation
Roadmaster Industries, Inc.	4914	3/16/91	775,000	Delaware
Roadmaster Industries, Inc.	7300	4/13/92	225,000	Delaware

Exhibit B
to Pledge Agreement

DESCRIPTION OF STOCK OF COMPANY

Issuer	Authorized Number of Shares	Issued and Outstanding Shares
Roadmaster Industries, Inc.	50,000,0000	Approximately 26,164,447 as of March 31, 1992

004913 9108-5007 000001 4*263 504 ************

SEE RESTRICTIVE LEGEND ON REVERSE SIDE

4914

Roadmaster® Industries, Inc.

A DELAWARE CORPORATION

AUTHORIZED COMMON STOCK: [illegible] SHARES

COMMON
PAR VALUE $.01 PER SHARE

COMMON
PAR VALUE $.01 PER SHARE

This Certifies that EQUITEX INC

CUSIP 769727 10 6

is the registered holder of ***SEVEN HUNDRED SEVENTY FIVE THOUSAND***

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK OF

ROADMASTER INDUSTRIES, INC.

transferable only on the books of the Corporation by the holder hereof in person or by attorney upon surrender of this Certificate properly endorsed.

This certificate is not valid until countersigned by the Transfer Agent.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be endorsed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated 08/16/1991

Bertrand T. Ungar
SECRETARY

PRESIDENT

7300 504 *************

SEE RESTRICTIVE LEGEND ON REVERSE SIDE

7300

Roadmaster® Industries, Inc.

A DELAWARE CORPORATION

AUTHORIZED COMMON STOCK: [illegible] SHARES

-225000-

COMMON
PAR VALUE $.01 PER SHARE

COMMON
PAR VALUE $.01 PER SHARE

CUSIP 769727 10 8

This Certifies that EQUITEX INC

is the registered holder of ***TWO HUNDRED TWENTY-FIVE THOUSAND***

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK OF

ROADMASTER INDUSTRIES, INC.

transferable only on the books of the Corporation by the holder hereof in person or by attorney upon surrender of this Certificate properly endorsed.
This certificate is not valid until countersigned by the Transfer Agent.
IN WITNESS WHEREOF, the Corporation has caused this Certificate to be endorsed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated: 04/13/1993

SECRETARY

PRESIDENT

ASSIGNMENT SEPARATE FROM CERTIFICATE [illegible]

GEORGE E. COLE
LEGAL FORMS

FOR VALUE RECEIVED, ____________________

hereby sell, assign and transfer unto ____________________

Seven hundred seventy-five thousand (775,000) Shares of the Common

Capital Stock of the Roddmaster Industries, Inc.

standing in Equiter Inc.'s name on the books of said Roddmaster Industries, Inc. represented by Certificate No. 4914 herewith

and do hereby irrevocably constitute and appoint ____________________

____________________ attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated ____________________

IN PRESENCE OF

____

Signature guaranteed

____

ASSIGNMENT SEPARATE FROM CERTIFICATE No. [illegible] AUGUST, [illegible]

GEORGE S. COLE
LEGAL FORMS

FOR VALUE RECEIVED, ______________________________

hereby sell, assign and transfer unto ______________________________

Two hundred twenty-five thousand (225,000) Shares of the Common

Capital Stock of the Roadmaster Industries, Inc.

standing in Equitex, Inc.'s name on the books of said Roadmaster Industries, Inc. represented by Certificate No. 7300 herewith

and do hereby irrevocably constitute and appoint ______________________________

______________________________ attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated ______________________

IN PRESENCE OF

____

____

Signature guaranteed

____

EXHIBIT 10.4

Amendment No. 1 to MacGregor Equitex Pledge Agreement

This Amendment No. 1 dated April 14, 1992 (this "Amendment"), is entered into by and between Equitex, Inc., a Delaware corporation ("Equitex") and Security Pacific Business Credit Inc., a Delaware corporation ("Lender").

WHEREAS, Equitex executed that certain Equitex Non-Recourse Guaranty dated May 9, 1991 in favor of the Lender (the "Guaranty") in connection with the making of certain loans to MacGregor Sports Products, Inc. ("MacGregor") by Lender;

WHEREAS, in order to secure its obligations under the Guaranty, Equitex also executed that certain Equitex Pledge Agreement dated May 9, 1991 in favor of the Lender (the "MacGregor Equitex Pledge Agreement") whereby Equitex pledged all of the stock it owned of Roadmaster Industries, Inc. ("RMI") to Lender;

WHEREAS, on the date hereof, in connection with the execution of that certain Second Amended and Restated Loan and Security Agreement between Ajay Leisure Products, Inc. and Lender, Equitex has entered into that certain Equitex Pledge Agreement in favor of the Lender dated the date hereof whereby certain of the shares of stock of RMI previously pledged under the MacGregor Equitex Pledge Agreement were pledged to the Lender;

WHEREAS, Equitex and Lender have agreed to amend the MacGregor Equitex Pledge Agreement on the terms and conditions herein set forth.

NOW, **THEREFORE**, in consideration of the terms and conditions contained herein, the parties hereto hereby agree as follows:

1. Amendments to the MacGregor Equitex Pledge Agreement. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the same meaning applied to them in the MacGregor Equitex Pledge Agreement. Effective as of the date hereof, the MacGregor Equitex Pledge Agreement is hereby amended as follows:

1.1 The first sentence of Section 2 of the MacGregor Equitex Pledge Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

> "The Pledgor hereby pledges, assigns, hypothecates, transfers, delivers and grants to the Pledgee a first lien on and first security interest in the shares of capital stock of the Company described on Exhibit A hereto (as such shares may be reduced from time to time in accordance with Section 8 (c) hereof, the "Pledged Shares"), all other property hereafter delivered to the Pledgor in substitution for the Pledged Shares and in all proceeds thereof, and any other property of the Pledgor with respect to the Pledged Shares, as described

in Section 4 below, now or hereafter delivered to, or in the possession or in the custody of, the Pledgee and any and all proceeds thereof, as collateral security for (i) the performance and payment of the obligations and the liabilities of the Pledgor under the Guaranty howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing or due or to become due, and (ii) the due and punctual payment and performance by the Pledgeor of its obligations and liabilities under, arising out of or in connection with this Agreement (all of the foregoing being collectively referred to hereinafter as the "Liabilities")."

1.2 Section 3 of the MacGregor Equitex Pledge Agreement is hereby amended by adding a subsection (i) to the end thereof as follows:

> "(i) None of the transactions contemplated in this Agreement will violate or result in the violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereof, including, without limitation, Regulations G, T, U, and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II."

1.3 Section 4 of the MacGregor Equitex Pledge Agreement is hereby amended by adding to the beginning thereof the following:

> "Except for the Stock of the Company now or hereafter pledged by the Pledgor to the Pledgee pursuant to that certain Equitex Pledge Agreement dated as of April 14, 1992 between the Pledgor and the Pledgee (the "Ajay Equitex Pledge Agreement") and"

1.4 Section 8(b) of the MacGregor Equitex Pledge Agreement is hereby amended by adding the following to the end of Clause (i) thereof:

> "(and delivering an amended Exhibit A hereto)"

1.5 Section 8 of the MacGregor Equitex Pledge Agreement is hereby amended by adding the following subsection (c) thereto:

> "(c) At any time when the terms of the Ajay Equitex Pledge Agreement requires the pledge by the Pledgor of additional shares of stock of the Company pursuant thereto, the Pledgee agrees to release the number of Pledged Shares so required by the Ajay Equitex Pledge Agreement from this Agreement so that they can be pledged by the Pledgor to the Pledgee under the Ajay Equitex Pledge Agreement; provided, that the Pledgor deliver to the Pledgee at the time of such release a replacement stock certificate representing the

Pledged Shares not released pursuant thereto and provide an amended Exhibit A hereto reflecting such release."

1.6 Exhibit A to the MacGregor Equitex Pledge Agreement is hereby amended by deleting it in its entirety and replacing it with Exhibit A attached hereto.

2. Representations and Warranties of Equitex.

2.1 Equitex represents and warrants that the execution, delivery and performance by it of this Amendment have been duly authorized by all necessary corporate action, and that this Amendment is a legal, valid and binding obligation of Equitex enforceable against it in accordance with its terms, except as the enforcement thereof may be subject to (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (b) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

2.2 Equitex hereby certifies that each of the representations and warranties contained in the MacGregor Equitex Pledge Agreement is true and correct in all material respects on and as of the date hereof as if made on the date hereof and that it has performed all agreements on its part to be performed prior to the date hereof as set forth in the MacGregor Equitex Pledge Agreement.

3. Reference to and Effect Upon the MacGregor Equitex Pledge Agreement

3.1 Except as specifically amended above, the MacGregor Equitex Pledge Agreement shall remain in full force and effect and is hereby ratified and confirmed.

3.2 The execution, delivery and effectiveness of this Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to any waiver or modification of any term or condition of the MacGregor Equitex Pledge Agreement or (ii) prejudice any right, power or remedy which Lender now has or may have in the future under or in connection with the MacGregor Equitex Pledge Agreement. Upon the effectiveness of this Amendment, each reference in the MacGregor Equitex Pledge Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the MacGregor Equitex Pledge Agreement as amended hereby and each reference to the Guaranty therein shall refer to the Guaranty as amended on the date hereof.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

5. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws (as opposed to conflicts of law provisions) of the State of Illinois.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date and year first above written.

EQUITEX, INC.

By:

Title: Pres

SECURITY PACIFIC BUSINESS
CREDIT INC.

By: Marvin W. Spencer

Title: Vice President

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: March 31, 1992

Commission file number: 01-17520

EQUITY AU, INC
(exact name of registrant as specified in its charter)

Delaware	33-20582	75-2276137
(State of Incorporation)	('33 Act SEC file no.)	(IRS E Id No.)

625 Digital Drive Suite 109 Plano, Texas	75075
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: 214-867-2022

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Act of 1934 during the past 12 months and (2) has been subject to such filing requirements for the past 90 days.

X YES ______ NO

Shares of common stock outstanding at March 31, 1992:

36,878,312

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EQUITY AU, INC.
(a development stage enterprise)

BALANCE SHEET

ASSETS	March 31, 92 (unaudited)	Dec 31, 91 (audited)
Current Assets:		
Cash	54,406	41,348
Advances	36,068	36,068
Fixed Assets:		
Milling Facility	258,750	258,750
Drilling Rig	56,018	56,018
Equipment & Furniture	156,622	156,622
Accumulated depreciation	(71,092)	(61,771)
Net fixed assets	400,298	409,619
Investments:		
Investment in subsidiary	9,635	9,635
Precious gems	670,000	675,000
Other Assets:		
Mining claims	3,981,386	3,902,448
Non-Compete Agreement	1,000	1,000
Security deposits	2,479	2,479
Organizational costs, net	2,458	2,809
TOTAL ASSETS	5,157,730	5,080,406

EQUITY AU, INC.
(a development stage enterprise)

BALANCE SHEET

LIABILITIES & STOCKHOLDER'S EQUITY	March 31, 92 (unaudited)	Dec 31, 91 (audited)
LIABILITIES		
Accounts Payable and accrued expenses	153,506	164,380
Payroll taxes payable	62,189	58,552
Advances from affiliates	179,720	146,061
Dividends payable	13,209	9,271
Notes payable	35,147	36,981
STOCKHOLDERS' EQUITY		
Common stock, Class A, Par Value $0.001; 99,900,000 shares authorized; 36,878,312 shares issued and outstanding	36,878	34,253
Common Stock, Class A, subscribed		268,486
Common stock, Class B, $0.01 Par Value; 100,000 shares authorized; 100,000 shares issued and outstanding	1,000	1,000
Preferred stock $1.00 Par Value; 200,000 shares authorized; 200,000 shares issued and outstanding	200,000	125,000
Preferred Stock $1.00 Par Value; 1,800,000 shares authorized; zero shares issued and outstanding	-0-	-0-
Additional paid in capital	5,912,020	5,538,406
Deficit accumulated in the development stage	(1,435,939)	(1,301,984)
TOTAL STOCKHOLDERS' EQUITY	4,713,959	4,665,161
TOTAL LIABILITY & STOCKHOLDERS' EQUITY	5,157,730	5,080,406

EQUITY AU, INC.
(a development stage enterprise)

STATEMENT OF OPERATIONS

	Quarter ended March 31 1992	Year ended December 31, 1991	Year ended December 31, 1990	Year ended December 31, 1989	Year ended December 31, 1988	Cumulative Totals
Revenue:						
Turn Key Contracts	177,000	316,756	-0-	-0-	-0-	493,756
Other	13,140	207,980	-0-	-0-	-0-	221,120
Cost of Revenues	110,227	125,369				235,596
Expenses:						
Assaying			10,601	17,032		27,633
Geology			26,489	22,916		49,405
Milling cost				7,756		7,756
Professional fees	34,589	52,892	23,666	22,516	10,500	144,163
Amortization	351	1,405	1,405	1,405		4,566
Contract services	15,858	120,767	36,757	6,231		179,613
Consulting				12,575		12,575
Depreciation	9,321	37,284	24,487			71,092
Office, Printing, Postage	7,371	25,153	19,835	26,174	2,513	81,046
Miscellaneous		100	1,620	520		2,240
Travel & Entertainment	20,069	56,779	8,507	15,069		100,424
Equipment lease & maintenance	8,770	6,656	12,799	27,998		56,223
Licenses and fees	849	33,635	180	24,177		58,841
Insurance	1,673	3,778	2,863		670	8,984
Investment expense				462		462
Stock transfer fees	1,105	1,118	1,216	2,627	350	6,416
Advertising and promotion	33,626	55,111	4,725	51,995		145,457
Rents	8,468	33,367	37,570	38,684		118,089
Salaries	32,705	139,035	217,775	135,721		525,316
Taxes	2,491	28,563	20,953	27,797		79,804
Telephone and utilities	11,352	46,062	26,030	41,321		127,765
Total expenses	190,898	641,703	478,278	482,976	14,033	1,807,870
Income (loss) from operations	(110,965)	(242,340)	(478,278)	(482,976)	(14,033)	(1,328,592)
Interest expense	(14,606)	(16,627)	(61,316)			(92,549)
Loss on sale of investments	(4,500)					(4,500)
Interest income	54	68		2,789		2,911
Income before provision for Federal income tax	(130,017)	(258,899)	(539,594)	(480,187)	(14,033)	(1,422,730)
Provision for Federal Income Tax	-0-	-0-	-0-	-0-	-0-	-0-
Provision for Preferred Dividends	(3,938)	(9,271)	-0-	-0-	-0-	(13,209)
Net Income (Loss)	(133,955)	(268,170)	(539,594)	(480,187)	(14,033)	(1,435,939)
Earnings Per Share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)		
Shares outstanding at end of period	36,078,312	34,252,337	19,282,419	19,136,547		
Fully Diluted:						
Earnings Per Share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)		
Fully Diluted Shares outstanding at end of period	38,120,312	34,939,837	19,282,419	19,136,547		

EQUITY AU, INC.
(a development stage enterprise)

STATEMENT OF CASH FLOWS
(Indirect Method)

Three Months Ended March 31, 1992
and Period from March 5, 1988 (date of inception)
to March 31, 1992

	Three Months ended March 31, 1992	Accumulated since inception March 5, 1988
Cash flows from operating activities:		
Net income (loss)	(133,955)	(1,635,939)
Adjustment for items not requiring cash:		
Stock issued for services		87,575
Amortization of organization costs	351	4,565
Depreciation expense	9,321	71,092
Net change in receivables and payables	2,763	389,628
Expenses paid by stockholder		13,100
Total cash provided by (used for) operating activities	(119,150)	(1,069,979)
Cash flows from investing activities:		
Cash paid for organization costs		(7,023)
Investment in subsidiaries		(9,635)
Purchase of fixed assets		(171,390)
Sale of investments	(5,000)	(5,000)
Mineral interest purchased by assumption of geological costs		(37,880)
Total cash provided (used for) investing activities	(5,000)	(230,928)
Cash flows from financing activities:		
Increase in notes payable	(1,834)	35,147
Increase in deposits	3,938	13,209
Advances from affiliates	33,659	918,580
Increase in deposits		(2,479)
Cash received from sale of preferred stock	75,000	200,000
Cash received from sale of common stock	28,815	190,856
Total cash provided (used for) financing activities	139,578	1,355,313
Net increase (decrease) in cash	13,058	54,406
Cash, beginning of period	41,348	-0-
Cash, end of period	54,406	54,406

EQUITY AU, INC
(a development stage enterprise)

STATEMENT OF STOCKHOLDERS' EQUITY
Period from inception, March 5, 1988
to March 31, 1992

	Common Stock - Class A		Additional	Accumulated
	Shares	Amount	Pd in Capital	Deficit
Balance, March 5, 1988 date of inception	-0-	-0-	-0-	$ -0-
Issuance of common stock:				
for cash	1,500,000*	500	-0-	
for services	1,500,000*	500	-0-	
For common stock of Equity Gold, Inc	12,200,000	4,062	1,215,938	
For assets:				
Precious gems	6,750,000	2,248	672,752	
Drilling rig	400,000	133	99,867	
Arkam Gold stock	784,000	261	193,739	
Paid in capital by parent	-0-	-0-	13,100	
Net Loss				(14,033)
Balance December 31, 1988	23,134,000	7,704	2,197,395	(14,033)
Issuance of common stock:				
for assets	5,052,711	1,683	1,261,495	
for assets	314,000	105	78,395	
Balance February 14, 1989	28,500,711	9,492	3,537,285	(14,033)
February 14, 1989 after effect of 3 for 2 reverse stock split and change of par value to $.001/share	18,981,564	18,982	3,527,795	
Issuance of stock				
for cash	26,983	26	17,324	
for assets	53,000	53	13,197	
for services	75,000	75	-0-	
Net Loss				(480,187)
Balance December 31, 1989	19,136,547	19,137	3,558,316	(494,220)
Issuance of stock				
for cash	145,872	145	27,631	
Net Loss				(539,594)
Balance December 31, 1990	19,282,419	19,282	3,585,947	(1,033,814)
Issuance of stock				
for cash	348,015	348	43,569	
for assets	10,549,000	10,549	1,353,091	
for services	700,000	700	88,800	
for debt	5,254,118	5,254	733,606	
Less: common stock subscribed for assets	(1,879,215)	(1,879)	(266,607)	
Net Income				(268,170)
Balance December 31, 1991	34,252,337	34,253	5,538,406	(1,301,984)
Issuance of stock				
for cash	115,260	115	28,700	
for assets	2,510,715	2,510	344,914	
Net Income				(133,955)
Balance March 31, 1992	36,878,312	36,878	5,912,020	(1,435,939)

EQUITY AU, INC
(a development stage enterprise)

STATEMENT OF STOCKHOLDERS' EQUITY
Period from inception, March 5, 1988
to March 31, 1992

	Common Stock - Class B		Additional
	Shares	Amount	Pd in Capital
Balance, March 5, 1988 date of inception	-0-	-0-	-0-
Balance December 31, 1990	-0-	-0-	-0-
Issuance of stock for assets	1,000	1,000	-0-
Balance December 31, 1991	1,000	1,000	-0-
	-0-	-0-	-0-
Balance March 31, 1992	1,000	1,000	-0-

	Preferred Stock - Class A		Additional
	Shares	Amount	Pd in Capital
Balance, March 5, 1988 date of inception	-0-	-0-	-0-
Balance December 31, 1990	-0-	-0-	-0-
Issuance of stock for cash	125,000	125,000	-0-
Balance December 31, 1991	125,000	125,000	-0-
Issuance of stock for cash	75,000	75,000	-0-
Balance March 31, 1992	200,000	200,000	-0-

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

As of March 31, 1992, the Registrant's cash and cash equivalents totalled $54,406, representing an increase for the quarter of $13,058 and an increase for the three months ended March 31, 1992 of $13,058.

The Registrant has continued negotiations to acquire an additional 973 mining claims located in Polk County, Arkansas in exchange for stock.

The Registrant has completed, in conjunction with Arkansas American Mining & Exploration, Inc, an affiliate of the Registrant, the lab, office facility and pilot mill in Mena, Arkansas. The pilot mill became operational in the first quarter of 1991 and a limited amount of dore' is being produced. The Registrant is conducting further testing to determine the best production method to produce the dore' commercially. The Registrant continues its assaying and evaluation research through independent assayers and Ph.D. chemists. The certified assays of the dore' produced from the ore show a relatively high content of precious metals.

On January 12, 1991 the directors voted to authorize the exchange of newly issued, restricted Common Stock of the Company in exchange for the assignment of limited partnership units in partnerships which the Company, or its affiliates, served as general partner, or in exchange for the assignment in certain mining claims where the Company held a royalty interest, under certain terms and conditions, for Limited Partners so requesting. These partnerships sole tangible assets are mining claims and the Registrant exchanged dollar for dollar based upon the amount invested and based upon a share price of $0.125. The Registrant also charged a handling fee of $0.02 per share, which amount is shown in the statement of operations as "Other Income". As of March 31, 1992 the Registrant had issued 11,180,500 shares in exchange for interests in limited partnerships which own mining claims. On March 22, 1992 the Company passed a resolution to increase the exchange price based upon a share price of $0.75.

During the first quarter of 1992, the Registrant formed Metal Mountain Partners, Inc. as a wholly owned subsidiary, to act as General Partner for a private placement limited partnership in order to select a mill site for the construction of an additional milling facility to be constructed on land in the same vicinity as the existing mills. Metal Mountain Partners, Inc. received a turn key contract to construct a mill for the partnership. The additional facility is funded through the separate limited partnership. The Company holds an eleven to fourteen percent royalty on the ore processed through the mill and will operate the mill for a fee equal to ten percent of the costs.

Operating losses continued until the first quarter of 1992. Losses from extraction of the ore continued into the first quarter since commercial production of ore at the milling facility in Mena, Arkansas had not commenced. Subsequently, the Registrant has commenced production and has delivered two bulk shipments of ,precious metal bearing concentrates to its refiner, AT&T Nassau Metals, Inc., a wholly owned subsidiary of AT&T. The Registrant continues to produce additional material for shipment on a regular basis to its refiner. The Registrant expects to receive its first income from operation in the second quarter of 1992. The results of the aforementioned shipments and the associated income obtained from this production may result in the recognition of significant ore reserves which would materially affect the value of the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Registrant has no legal proceedings pending.

Item 2. Changes in Securities.

Registrant has made no changes in its securities.

Item 3. Defaults Upon Senior Securities.

Registrant has no senior securities and accordingly no defaults.

Item 4. Submission of Matters to a Vote of Security Holders.

Registrant submitted no matters to a vote of security holders.

Item 5. Other Information.

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITY AU, INC
(Registrant)

BY: Bill All
Bill Allison, Secretary
and Chief Financial Officer

DATE: May 14, 1992
Plano, Texas

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: MARCH 31, 1992

Commission File Number: 33-42532-A

EURO-AMERICAN WRESTLING GROUP, INC.
(Exact name of Registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation)

65-0270295
(IRS employer
identification number)

3861 NW 3rd Place, Deerfield Beach, Florida 33442
(Address, including zip code, of Registrant's
principal executive offices)

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(305) 360-9052
(Registrant's telephone number
including area code)

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N/A
(Former name, address and fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Class: Common
Outstanding at March 31, 1992: 1,575,000

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EURO-AMERICAN WRESTLING GROUP, INC.

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Page No.

PART I. FINANCIAL INFORMATION

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EURO-AMERICAN WRESTLING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 1992

ASSETS

Current Assets	
Cash	$ 3,726
Other Assets	
Deferred registration and organization costs (Note 1)	97,545
Total Assets	$101,271

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Loans payable	$ 86,271
Accounts payable	13,000
	99,271
Stockholders' Equity	
Common stock, $.001 par value 7,500,000 shares authorized 1,575,000 shares issued and outstanding (Note 2)	1,575
Addition paid-in capital	425
Total Liabilities and Stockholders' Equity	$101,271

EURO-AMERICAN WRESTLING GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

MARCH 31, 1992

Balance:	Common Stock	Additional Paid-In Capital
MARCH 31, 1991	$ 1,575	425

EURO-AMERICAN WRESTLING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

B. Organization and Business

Euro-American Wrestling Group, Inc. was incorporated on April 3, 1991, under the laws of the State of Florida. Activities to date have been limited to the sale of its securities and planning necessary before commencing its proposed operations. Inasmuch as the company has had no operations and no significant working capital, its ability to commence its proposed operations is wholly dependent upon the successful conclusion of its public offering of securities.

C. Expenses Related to the Proposed Public Offering

All costs incurred by the Company in connection with the proposed public offering of the Company's shares will be charged to additional paid-in capital upon the successful completion of the offering or to operations, if the offering is not consummated.

D. Organization costs

Various expenditures have been incurred to organize the Company which have been capitalized and will be amortized over sixty months.

E. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; 4-Star Wrestling, Inc. and World Alliance Wrestling, Ltd.

EURO-AMERICAN WRESTLING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PROPOSED SALE OF COMMON STOCK

The Company intends to sell a maximum of 250,000 units of its securities, each composed of two (2) shares of its $.001 par value common stock and one each of Class A and Class B redeemable warrants entitling the holder to purchase one share of common stock at $6.50 and $9.50 per share, respectively. The redeemable warrants will both expire forty eight months from the date of this prospectus. The units are being offered at a gross offering price of $10 per unit.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

Financial Condition

Euro-American Wrestling Group, Inc. (the "Company") was incorporated under the laws of the state of Florida on April 3, 1991. The Company completed a registration of its securities for sale of the public in its initial public offering on December 9, 1991.

As of March 31, 1992, the Company maintained current assets of $3,726 with deferred registration and organization costs of $97,545. These costs represent expenses incurred in completing the Registration Statement on Form S-18 as well as start-up expenses.

Results of Operation

To date, the Company has not commenced any business operations and is attempting to complete an initial public offering of its securities to the public. Unless and until the Company completes the offering, it will not have sufficient capital to commence any meaningful business operations as set forth in the prospectus.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K.

(b) No reports on Form 8-K were filed by the Company for the quarter ending March 31, 1992 and up to the date of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned hereunto duly authorized.

EURO-AMERICAN WRESTLING GROUP, INC.

Dated: 5/18/92

By: ______________________
Patrick J. Schaefer, President

By: ______________________
Christopher M. Rayne, Director
and Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

MAY 14 1992

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended March 31, 1992, or

___ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from ____________ to ____________.

Commission file number 2-79192.

HAMPSHIRE FUNDING, INC.
(Exact name of registrant as specified in its charter)

NEW HAMPSHIRE
(State or other jurisdiction of incorporation or organization)

02-0277842
(I.R.S. Employer Identification No.)

ONE GRANITE PLACE, CONCORD, NEW HAMPSHIRE
(Address of principal executive offices)

03301
(Zip Code)

Registrant's telephone number, including area code (603) 226-5000

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At March 31, 1992 there were 50,000 shares of the Issuers common stock outstanding, all of which are owned by the Parent Company, Chubb Life Insurance Company of America.

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements. See pages 4 through 6.

Item 2 - Management's Discussion and Analysis of Financial Conditions and Results of Operations

Liquidity and Capital Resources

The Company offers and administers investment Programs which coordinate the acquisition of mutual fund shares and insurance over a period of time, usually ten years. Under these programs, Participants purchase life and health insurance from affiliated Insurance Companies and finance the premiums through a series of loans secured by mutual fund shares. Upon issuance of a policy by an Insurance Company, the Company makes a loan to the Participant in an amount equal to the selected premium mode. As each premium becomes due, a new loan equal to the next premium and administrative fee, if not paid in cash, is made and added to the Participant's Account Indebtedness. Thus, interest, as well as principal, is borrowed and mutual funds shares are pledged as collateral. Each loan made by the Company must initially be secured by mutual fund shares which have a value of at least 250% of the loan. In addition, the aggregate value of all mutual fund shares pledged as collateral must be at least 150% of the Participants' total Account Indebtedness.

The Company's funds for financing the Programs are currently obtained through an Agreement, effective July 1989, with The Colonial Life Insurance Company of America ("Colonial"). The Agreement provided for revolving credit arrangements under which Colonial advanced to the Company funds in an amount that did not exceed $20,000,000. Effective March 1990, the Agreement was amended to provide for advances of funds to the Company in amounts not to exceed $25,000,000. The loans are made at favorable commercial lending rates which are subject to change in accordance with the Agreement and market conditions. Prior to the Agreement with Colonial, premium loans were funded by Trust Company Bank of Atlanta, Georgia and The Volunteer State Life Insurance Company ("Volunteer") under revolving credit agreements effective June, 1988 and April, 1989, respectively. On July 10, 1989 the Company repaid the funds borrowed from Trust Company Bank and on August 18, 1989, repaid the funds borrowed from Volunteer.

The amount of funds borrowed under the Agreement at March 31, 1992 and December 31, 1991, were $22,649,685 and $21,413,588, respectively. This represented an increase of $1,236,097. These additional borrowings were used to fund increased sales of investment programs and for other working capital needs.

Working capital through March 1992, 1991, and 1990 was provided by Participants' loan repayments, administrative fees for the placement and maintenance of Participants' Programs, interest earned on collateral loans extended, interest earned on investments, and partnership syndication fees. The Company also received a franchise fee in 1990 which provided additional working capital.

Results of Operations

The Company concluded its first quarter 1992 with net operating income of $57,465. This compares to net operating income of $4,877 and $112,505 for the first quarter of 1991 and 1990 respectively.

Total revenues through March 31, 1992 were $676,328 versus $582,540 in 1991 and $836,591 in 1990. In 1990, the most notable change in revenues was $300,000 of franchise fees received from the Insurance Companies, which represented compensation for the issuance and service of insurance policies. No franchise fees were received in 1991, nor does the Company anticipate receiving franchise fees in 1992.

Interest earned from collateral notes receivable increased as insurance loans to Participants increased year to year. The Company experienced a 45% growth in the number of Participant's Programs placed in the first quarter of 1992 compared to the first quarter of 1991. The interest rate charged to each Participant's Account Indebtedness was 9.95% until December 27, 1991 when the interest rate was reduced to 9.50%. Investment income earned by the Company decreased in each of the past three years due to a change in the level of cash and investments held year to year. Revenues from partnership fees increased as the Company's subsidiary received additional general partnership fees from its 1991 offering.

Total expenses for the first quarter 1992, 1991, and 1990 were $589,260, $575,151 and $666,415 respectively. Interest expense on the Company's revolving credit agreement decreased due to a decline in short term interest rates during each of the three periods. This decrease in the Company's cost of borrowed funds has offset the Company's interest expense as additional amounts were borrowed under the credit agreement each period. General and administrative expenses, arising from normal operating activities, increased $103,398 from the first quarter of 1991 as compared to the first quarter of 1992.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings - Not Applicable

Item 2 - Changes in securities - Not Applicable

Item 3 - Defaults upon senior securities - Not Applicable

Item 4 - Submission of matters to a vote of security holders - Not Applicable.

Item 5 - Other Information - Not Applicable

Item 6 - Exhibits and Reports on form 8-K. No reports on Form 8-K were filed for the quarter ended March 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hampshire Funding, Inc.
Registrant

Date May 14, 1992

John [illegible]. Weston
Treasurer, Principal Financial Officer

HAMPSHIRE FUNDING, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

Assets	March 31, 1992	December 31 1991
Cash and cash equivalents	$ 1,153,131	$ 694,199
Accounts receivable from customers	5,669	6,294
Total Current Assets	1,158,800	700,493
Collateral notes receivable (including accrued interest of $691,434 in 1992 and $676,410 in 1991)	23,462,807	22,230,309
Total Assets	$ 24,621,607	$ 22,930,802
Liabilities and Stockholder's Equity:		
Accrued expenses and other liabilities	$ 777,523	$ 627,538
Due to affiliates	592,522	345,264
Total Current Liabilities	1,370,045	972,802
Note payable to affiliate (net of prepaid interest of $250,315 in 1992 and $286,412 in 1991)	22,649,685	21,413,588
Total Liabilities	24,019,730	22,386,390
Stockholder's Equity:		
Common stock, par value $1 per share; Authorized 100,000 shares: issued and outstanding 50,000 shares	50,000	50,000
Additional paid-in capital	550,000	550,000
Retained earnings (deficit)	1,877	(55,588)
Total Stockholder's Equity	601,877	544,412
Total Liabilities and Stockholder's Equity	$ 24,621,607	$ 22,930,802

HAMPSHIRE FUNDING, INC. AND SUBSIDIARY

Consolidated Statements of Operations and Retained Earnings (Deficit)

	Three Months Ended March 31,		
	1992	1991	1990
Revenues:			
Interest on collateral notes receivable	$ 529,941	$ 477,026	$ 453,567
Program participant fees	105,618	89,719	71,414
Franchise fees from affiliates			300,000
Interest on investments	5,769	11,209	11,190
Partnership syndication fees	35,000	4,586	420
	676,328	582,540	836,591
Expenses:			
Interest on revolving credit agreement	268,496	357,785	410,820
General and administrative	320,764	217,366	255,595
	589,260	575,151	666,415
Income before income taxes	87,068	7,389	170,176
Provision for income taxes	29,603	2,512	57,671
Net income	57,465	4,877	112,505
Retained earnings (deficit) at beginning of year	(55,588)	(274,050)	(306,240)
Retained earnings (deficit) at end of period	$ 1,877	$ (269,173)	$ (193,735)

HAMPSHIRE FUNDING, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Three Months Ended March 31,		
	1992	1991	1990
OPERATING ACTIVITIES:			
Net income	$ 57,465	$ 4,877	$ 112,505
Adjustments to reconcile net income to net cash used by operating activities:			
Decrease in accounts receivable from customers	625	27,583	19,123
Increase (decrease) in accrued expenses and other liabilities	58,872	(9,725)	(179,561)
Increase in due to affiliate	247,259	217,395	185,431
Increase in collateral notes receivable	(1,232,498)	(475,101)	(397,914)
Decrease in income taxes payable/receivable	29,603	3,785	207,560
(Increase) decrease in prepaid interest on revolving note	36,097	21,472	(30,460)
NET CASH USED BY OPERATING ACTIVITIES	(802,577)	(209,714)	(83,316)
FINANCING ACTIVITIES:			
Proceeds from revolving loan agreement	13,900,000	39,681,694	47,932,294
Principal payments on revolving loan agreement	(12,700,000)	(39,521,694)	(47,878,136)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,200,000	160,000	54,158
INCREASE (DECREASE) IN CASH, CASH OVERDRAFT AND CASH EQUIVALENTS	397,423	(49,714)	(29,158)
Cash, cash overdraft and cash equivalents beginning of year	235,825	325,184	721,297
CASH, CASH OVERDRAFT AND CASH EQUIVALENTS AT END OF PERIOD	$ 633,248	$ 275,470	$ 692,139

Certain 1990 amounts have been reclassified to correspond to the 1991 and 1992 presentations.

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FORM 10 - Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission file number 0 92-2256

HOMETOWN BANCSHARES, INCORPORATED
(Exact name of registrant as specified in its charter)

West Virginia	55-0684421
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)
Fair and Dodd Streets, Middlebourne, WV	26149
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 304-758-2191

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 15, 1992
Common stock, $1.00 par value	337,077

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HOMETOWN BANCSHARES, INCORPORATED
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PART I - FINANCIAL INFORMATION

HOMETOWN BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands)

ASSETS	March 31, 1992 (unaudited)	December 31, 1991*
Cash and Due from Banks	$ 3,467	$ 3,148
Interest-bearing Balances due from Banks	284	0
Investment Securities:		
U.S. Government Obligations	24,885	24,679
State, County, and Municipal Bonds	2,364	2,080
Other Investments	736	751
Federal Funds Sold	4,955	3,575
Loans (net of unearned discount)	46,278	47,026
Less: Reserve for Loan Losses	634	603
Premises and Equipment - net	1,644	1,683
Accrued Interest Receivable	910	821
Other Assets	996	951
TOTAL ASSETS	$ 85,885	$ 84,111

LIABILITIES AND CAPITAL	March 31, 1992	December 31, 1991*
Deposits:		
Demand - Non-interest bearing	$ 7,204	$ 7,186
Demand - Interest bearing	14,480	12,674
Savings	21,628	20,790
Time Deposits	33,467	34,549
TOTAL DEPOSITS	$ 76,779	$ 75,199
Notes Payable	25	25
Accrued Interest and Other Liabilities	636	548
TOTAL LIABILITIES	$ 77,440	$ 75,772
Common Stock (Par Value $1.00, 337,077 shares outstanding in 1992 and 1991)	$ 337	$ 337
Additional Paid-In Capital	$ 4,825	4,825
Undivided Profits	3,283	3,177
TOTAL SHAREHOLDER'S EQUITY	$ 8,445	$ 8,339
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 85,885	$ 84,111

* denotes figures condensed from audited financial statements

The accompanying notes are an integral part of these condensed financial statements.

HOMETOWN BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share data)
(unaudited)

	March 31 1992	March 31, 1991
INTEREST INCOME		
Interest and Fees on Loans	$ 1,315	$ 1,355
Interest on Investment Securities:		
Interest on Taxable Securities	500	504
Interest on Non-taxable Securities	38	52
Interest on Federal Funds Sold	41	31
Interest on Deposits with Other Banks	2	0
TOTAL INTEREST INCOME	$ 1,896	$ 1,942
INTEREST EXPENSE		
Interest on Deposits	$ 917	$ 1,025
Interest on Notes Payable	0	2
TOTAL INTEREST EXPENSE	$ 917	$ 1,027
NET INTEREST INCOME	$ 979	$ 915
Provision for Loan Losses	48	45
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 931	$ 870
OTHER INCOME		
Service Charges and Fees	$ 52	$ 52
Other Income	32	26
Gain on Sale of Securities	2	18
TOTAL OTHER INCOME	$ 86	$ 96
OTHER EXPENSES		
Employee Compensation and Benefits	$ 360	$ 358
Occupancy Expense, net of revenues	46	52
Furniture and Equipment Expense	52	49
Amortization of Core Deposit Intangible	23	28
Other Operating Expense	240	262
TOTAL OTHER EXPENSES	$ 721	$ 749
INCOME BEFORE INCOME TAXES	$ 296	$ 217
APPLICABLE INCOME TAXES	114	62
NET INCOME	$ 182	$ 155
NET INCOME APPLICABLE TO COMMON STOCK	$ 182	$ 155
PER COMMON SHARE DATA		
Net Income	$ .54	$ .46
Fully Diluted	$ .54	$ .46
Cash Dividends Declared	$ .18	$ .18

The accompanying notes are an integral part of these condensed financial statements.

HOMETOWN BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(In thousands)

	Period ending March 31 1992 (unaudited)
COMMON STOCK ($1.00 par value, 3,000,000 shares authorized)	
Balance at beginning of period	$ 337
Balance at end of period - 337,077 shares issued and outstanding	337
ADDITION PAID-IN CAPITAL	
Balance at beginning of period	$ 4,825
Balance at end of period	$ 4,825
UNDIVIDED PROFITS	
Balance at beginning of period	$ 3,177
Net Income	182
LESS: Dividend on Common Stock	61
Change in Unrealized Loss on Equity Securities - net	(15)
Balance at end of period	$ 3,283
TOTAL SHAREHOLDERS EQUITY	$ 8,445

The accompanying notes are an integral part of these condensed financial statements.

HOMETOWN BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Three Months ended March 31, 1992 (unaudited)	Three Months ended March 31, 1991 (unaudited)
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest Received	$ 1,804	$ 1,835
Service Charges, Fees and Commissions Received	55	63
Other Operating Income Received	30	38
Interest Paid	(272)	(336)
Cash Paid to Suppliers and Employees	(675)	(659)
Income Taxes Paid	(27)	(20)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 915	$ 921
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Increase (Decrease) in Fed Funds Sold	$ (1,380)	$ (2,495)
Proceeds from Sale of Investment Securities	1,120	2,210
Purchases of Investment Securities	(1,383)	(2,573)
Loans Made to Customers	(9,061)	(5,490)
Principal Collected on Loans	9,261	6,218
Capital Expenditures	(5)	(22)
Proceeds from Sale of Real Estate	0	24
Purchase of Other Real Estate	(12)	(15)
NET CASH USED BY INVESTING ACTIVITIES	$ (1,460)	$ (2,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Demand Deposits, NOW Accounts and Savings Accounts	$ 2,691	$ (445)
Proceeds from Sale of Certificates of Deposit	2,812	1,922
Payments for Maturing Certificates of Deposit	(3,917)	(1,537)
Increase (decrease) in Borrowed Funds	0	(30)
Dividends Paid	(61)	(61)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	$ 1,525	$ (151)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 980	$ (1,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,148	4,382
CASH AND CASH EQUIVALENTS, March 31	$ 4,128	$ 3,009

The accompanying notes are an integral part of these condensed financial statements.

HOMETOWN BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Three Months ended March 31, 1992 (unaudited)	Three Months ended March 31, 1991 (unaudited)
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:		
NET INCOME	$ 182	$ 155
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	$ 43	$ 47
Provision for Loan Losses	48	45
Net Amortization/(Accretion)	26	11
Amortization of Core Deposit Premium	23	28
(Increase) Decrease in Other Assets	(155)	(153)
Increase (Decrease) in Other Liabilities	(9)	62
Increase (Decrease) in Accrued Taxes	77	44
Interest Expense credited to Dep. Accts.	680	682
TOTAL ADJUSTMENTS	$ 733	$ 766
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 915	$ 921

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, amounts due from correspondent banks and certificates of deposit investments with original maturities of 90 days or less.

NOTE 1: BASIS OF PRESENTATION

The interim consolidated financial statements presented herein have been prepared in conformity with generally accepted accounting principles and general practices within the banking industry. In management's opinion, the accompanying statements contain all adjustments necessary to present a fair statement of results for the interim periods presented, and such adjustments are of a normal recurring nature. However, these statements are not necessarily indicative of the results of operations for a full year and are subject to year-end audit adjustments.

On January 5, 1989, Hometown Bancshares, Inc. ("Hometown") acquired all of the outstanding shares of Union Bank of Tyler County, Middlebourne, WV, in exchange for common stock. This transaction, which was a reorganization, was accounted for as a pooling-of-interests. The financial statement presentation under the pooling-of-interests method presents the parent and its wholly-owned subsidiary as consolidated for the three-month periods ended March 31, 1992 and 1991.

Also on January 5, 1989, Hometown acquired all of the outstanding shares of The Community Bank, Pennsboro, WV in exchange for common stock and cash. As a result, the acquisition was accounted for under the purchase method and, accordingly, Hometown's consolidated financial statements include The Community Bank's results of operations from January 5, 1989.

On July 1, 1990, Hometown issued 72,345 shares of its common stock for all to the outstanding common stock of Universal BancCorp on a one to one exchange ratio. This merger has been accounted for using the pooling-of-interests method. The resultant effect was that Universal's subsidiary, The Bank of Paden City, became a wholly-owned subsidiary of Hometown, and Universal ceased to exist. Accordingly, the consolidated financial statements for the periods prior to the merger have been restated to include the accounts and operations of Universal BancCorp and its subsidiary.

The consolidated financial statements of Hometown Bancshares, Inc. include the accounts of Hometown and its wholly-owned subsidiaries. Material intercompany transactions and accounts have been eliminated.

NOTE 2: INVESTMENT SECURITIES

The book value and approximated market value of investment securities as of March 31, 1992 and 1991 are as follows:

	March 31, 1992 (000's)		March 31, 1991 (000's)	
	Book Value	Market Value	Book Value	Market Value
U.S. Government Securities	$24,885	$25,465	$22,916	$23,225
State, County and Municipal Bonds	2,364	2,455	2,826	2,830
Other Investments	736	852	929	1,035

NOTE 3: LOANS

Major classifications of loans are summarized as follows:

	March 31, 1992 (000's)	March 31, 1991 (000's)
Real Estate Loans	$21,823	$21,079
Installment Loans	17,194	16,353
Commercial and all Other Loans	8,682	9,643
	47,699	47,075
Unearned Discount	(1,421)	(1,541)
TOTAL LOANS	$46,278	$45,534

Change in the allowance for loan losses were as follows for the period ended March 31, 1992 and 1991:

	1992 (000's)	1991 (000's)
Balance at beginning of period	$ 603	$ 547
Provision charged to operations	48	45
Loans charged-off	(22)	(39)
Recoveries	5	6
Balance, March 31	$ 634	$ 559

NOTE 4: DEPOSITS

Time deposits issued in denominations of $100,000 or more as of March 31, 1992 and 1991 were 3,831,000 and 3,776,000, respectively.

NOTE 5: BORROWINGS

Floating Rate $100,000 Line of Credit, secured July 17, 1989, at New York Prime. This Line of Credit was originally established by Universal BancCorp, and was assumed by Hometown following the merger with Universal (see Note 1). The balance of notes payable was $25,000 and $70,000 at March 31, 1992 and 1991, respectively.

NOTE 6: INCOME TAX EXPENSE

The provision for income taxes is summarized as follows:

	Three months ended March 31, 1992 (000's)	Three months ended March 31, 1991 (000's)
Current:		
Federal	$ 97	$ 50
State	17	12
TOTAL PROVISION FOR INCOME TAXES	$ 114	$ 62

NOTE 7: CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

HOMETOWN BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED BALANCE SHEET
(In thousands)

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Cash and Due From Banks	$ 28	$ 26
Investment in Subsidiaries	7,711	7,566
Other Assets	755	777
TOTAL ASSETS	$ 8,494	$ 8,369
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes Payable	$ 25	$ 25
Other Liabilities	24	5
TOTAL LIABILITIES	$ 49	$ 30
Common Stock (Par value $1.00, authorized: 3,000,000 shares, outstanding: 337,077 shares in 1992 and 1991)	337	$ 337
Additional Paid-in Capital	4,825	4,825
Undivided Profits	3,283	3,177
TOTAL SHAREHOLDERS' EQUITY	$ 8,445	$ 8,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 8,494	$ 8,369

*denotes figures condensed from audited financial statements

HOMETOWN BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENT OF INCOME
(In thousands)

	Three Months ended March 31, 1992 (unaudited)
REVENUE	
Dividends from Subsidiary Banks	$ 50
Other Operating Income	2
TOTAL REVENUE	$ 52
EXPENSES	
Interest on Notes Payable	$ 0
Other operating expenses	39
TOTAL EXPENSES	$ 39
Income before Equity in Undistributed Net Income (Losses) of Subsidiaries	$ 13
Equity in Undistributed Net Income (Losses) of Subsidiaries	173
NET INCOME BEFORE INCOME TAXES	$ 186
APPLICABLE INCOME TAXES (BENEFITS)	4
NET INCOME	$ 182

HOMETOWN BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENT OF CASH FLOWS
(In thousands)

		For the period ending March 31, 1992 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends Received from Subsidiaries	$	50
Other Income		2
Income Tax Payments Received from Subsidiaries		19
Interest Paid		0
Cash Paid to Suppliers		(8)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	63
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends Paid		(61)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	$	(61)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	$	2
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR		26
CASH & CASH EQUIVALENTS, MARCH 31	$	28
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	$	182
NET INCREASE (DECREASE) IN CASH AND CASH		
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Undistributed Net (Income) of Subsidiaries	$	(173)
Net Amortization of Purchase Premium & Organizational Exp.		31
(Increase) Decrease in Other Assets		4
Increase in Accrued Taxes		19
TOTAL ADJUSTMENTS	$	(119)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	$	63

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SOURCES AND USES OF FUNDS

During the three-month period ended March 31, 1992, Hometown's total assets increased by $1.8 million, or 2.1%. This growth was primarily funded by a $1.6 million, or 2.1%, increase in deposit liabilities. The categories of interest-bearing demand deposits and savings deposits increased by a combined $2.6 million, while time deposits decreased by $1.0 million. Extremely low market interest rates on time deposits has led depositors to transfer and accumulate funds in the more liquid deposit types, such as interest-bearing demand and savings deposits. As long as rates stay at or below their present level, it is expected that this trend will continue.

Loans decreased approximately $0.7 million during the period as loan demand has slowed somewhat. It is expected that the sluggish loan demand, particularly in the consumer loan category, will continue over the near-term. Surplus funds not used to meet loan demand were invested in U.S. Government securities ($200,000 increase), tax-free municipal securities ($300,000 increase), and Federal Funds sold ($1.4 million increase). Hometown also recently invested $284,000 in short-term interest-bearing time deposits in other financial institutions. Hometown will continue to utilize these alternative liquid investments until loan demand shows an increase.

EARNINGS

Consolidated net income for the three-month period ended March 31, 1992, was $182,000 or $.54 per share, compared to $155,000 or $.46 per share during the same period in 1991. This increase of approximately 17% is primarily due to a substantial increase in net interest income. The increase in net interest income resulted from a substantial decrease of $110,000 in total interest expense combined with a slight decrease of only $46,000 in total interest income. Deposit interest expense is expected to continue to decline in the near-term, however, the decline in interest income from loans and investment securities is expected to begin to meet or exceed the decline in interest expense. As a result, Hometown can expect stable or slightly falling net interest income in future periods of 1992.

Another contributor to the increase in net income was a 3.7% decrease in noninterest expense, resulting from specific cost control measures at Hometown's subsidiary banks. Noninterest income declined by $10,000 for the period, due mainly to a decrease in gains on sales of securities. The gain on sale of securities of $18,000 during the 1991 period was effected for tax planning purposes.

The provision for loan losses increased $3,000, or 6.7%, reflecting an adjustment for management's perception of risk currently inherent in the loan portfolio. Management formally assesses the adequacy of the reserve for loan losses and makes adjustments accordingly. The reserve for loan losses at March 31, 1992, was 1.37% of net loans, compared to 1.28% at December 31, 1991. Net charge-offs during the period were $17,000 versus $39,000 during the same period in 1991. While management believes the reserve is currently adequate to absorb both expected and unexpected losses, management intends to methodically increase the reserve to the conservative level of 1.5% within the next two years. This goal may be accomplished by means of an increased provision.

The provision for income taxes increased substantially as pre-tax net income increased similarly, while tax-exempt income has declined somewhat.

LIQUIDITY

Hometown Bancshares, Inc. primary source of liquidity is the attraction and retention of retail deposit accounts. Deposits increased by 2.1% during the period ended March 31, 1992. Deposits will continue to be an excellent source of funds.

Also available to Hometown are short-term market-rate liabilities such as federal funds purchased and securities sold under agreement to repurchase. These instruments are currently used on a very limited basis. Should these sources be needed, they can provide substantial flexibility in dealing with unforeseen cash requirements.

Although liabilities provide its primary sources of liquidity, Hometown also maintains an adequate level of cash and near-cash items on hand to meet day-to-day operating needs. In addition, Hometown owns marketable securities and short-term investments which can be converted to cash quite readily.

Cash and near-cash items, marketable securities, and short-term instruments totalled $36.7 million, or 43% of the total assets and 1.69 times the total demand deposits as of March 31, 1992.

CAPITAL

Hometown maintains capital adequacy through internal capital growth. While total assets increased 2.1% from December 31, 1991 to March 31, 1992, total equity increased 1.3%. The ratio of shareholders equity to total assets was 9.83% at March 31, 1992, as compared to 9.91% at December 31. The current equity to assets ratio far exceeds the current regulatory requirement of 5.5% for bank holding companies. By applying the newly adopted risk-based capital guidelines, effective at year-end 1992, Hometown's capital ratio becomes approximately 14%, which is well in excess of the minimum regulatory risk-based requirements of 4% Tier One capital and 8% total capital. As of March 31, 1992, Hometown had $8.4 million in Tier One capital and $9.0 million in total capital.

PART II -OTHER INFORMATION

Item 1: Legal Proceedings

The subsidiaries of Hometown Bancshares, Inc. are defendants in certain legal actions arising from normal business activities. The ultimate liability, if any, resulting from these actions will not materially affect Hometown's financial position.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOMETOWN BANCSHARES, INC.
(Registrant)

Gary R Davis
Gary R. Davis
President and Director

Timothy R. Aiken
Timothy R. Aiken
Chief Financial Officer
and Treasurer

Date: May 14, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 10549

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________.

Commission file number 0-15888.

PROCESSED BY
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Microfilmed by
Q-Data Corp. - St. Petersburg, FL

IGENE Biotechnology, Inc.
(Exact name of Registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-1230461 (I.R.S. Employer Identification No.)
9110 Red Branch Road, Columbia, Maryland (Address of principal executive officers)	21045-2097 (Zip code)

Registrant's telephone number, including area code: (410) 997-2599

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by a check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

The number of shares outstanding of the Registrant's $.01 par value Common Stock as of March 31, 1992 is 11,741,852.

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FORM 10-Q

IGENE Biotechnology, Inc.

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IGENE BIOTECHNOLOGY, INC.

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PART I - FINANCIAL INFORMATION

IGENE Biotechnology, Inc.
Balance Sheets

	March 31, 1991 (Unaudited)	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS			
Current assets:			
Cash and cash equivalents	$ 839,048	$ 123,999	$ 276,663
Accounts receivable	52,673	48,888	40,774
Prepaid expenses	2,545	---	693
Inventories (note 2)	15,115	5,158	6,596
Total current assets	909,381	178,045	324,726
Property and equipment, net	84,967	188,739	200,615
Other assets	10,600	10,600	10,600
	$ 1,004,948	$ 377,384	$ 535,939
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accrued payroll	$ 5,976	$ 5,976	$ 5,976
Accounts payable and other accrued expenses	101,450	176,698	205,624
Debenture interest payable	60,000	60,000	30,000
Total current liabilities	167,426	242,674	241,600
Long term liabilities:			
Variable rate subordinated debenture	1,500,000	1,500,000	1,500,000
Total liabilities	1,667,426	1,742,674	1,741,600
Redeemable preferred stock -- 8% cumulative, convertible, voting, Series A, $.01 per value per share; redemption value $9.60, $10.24 and $10.08 per share. Authorized 920,000 shares; issued 56,592, 38,592, and 51,467 shares	543,283	395,182	518,788
Stockholders' deficit:			
Preferred stock -- $.01 par value per share. 8% cumulative, convertible, voting, Series A. Authorized and issued 187,500 shares (aggregate involuntary liquidation value $1,800,000, $1,920,000 and 1,890,000)	1,875	1,875	1,875
Common stock -- $.01 par value per share. Authorized 35,000,000 shares; issued 11,652,518, 11,741,852 and 11,716,102 shares	116,525	117,419	117,161
Additional paid-in capital	15,779,378	16,052,194	15,926,769
Deficit	(17,103,539)	(17,931,960)	(17,770,254)
Total stockholders' deficit	(1,205,761)	(1,760,472)	(1,724,449)
	$ 1,004,948	$ 377,384	$ 535,939

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Operations
(Unaudited)

	March 31, 1991	March 31, 1992
Sales	$ 79,729	$ 77,033
Cost of sales	31,841	51,256
	47,888	25,777
Selling, general and administrative expenses:		
Marketing and selling	11,892	4,984
Research, development and pilot plant	123,561	97,633
General and administrative	106,579	55,597
	(194,144)	(132,437)
Other income (expenses):		
Investment income	3,419	1,684
Interest expense	(30,709)	(30,953)
Other income (expense)	380	---
Net loss	(221,054)	(161,706)
Deficit at beginning of period	(16,882,485)	(17,770,254)
Deficit at end of period	$(17,103,539)	$(17,931,960)
Net loss per common share	$ (0.03)	$ (0.01)

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Stockholder's Equity (Deficit)
(Unaudited)

	Redeemable Preferred Stock	Preferred Stock	Common Stock	Additional Paid-In Capital
Balance at December 31, 1990	$ 534,229	$ 1,875	$ 70,565	$ 14,721,398
Sale of 4,596,000 shares of common stock pursuant to private placement	---	---	45,960	1,103,040
Compensation expense relating to nonqualified stock options	---	---	---	4,775
Fees paid in connection with various financing arrangements	---	---	---	(40,785)
Cumulative undeclared dividends on redeemable preferred stock	9,054	---	---	(9,054)
Balance at March 31, 1991	543,283	1,875	116,525	15,779,378
Balance at December 31, 1991	$ 518,788	$ 1,875	$ 117,161	$ 15,926,769
Conversion of preferred stock into common stock	(129,780)	---	258	129,522
Compensation expense relating to nonqualified stock options	---	---	---	2,077
Cumulative undeclared dividends on redeemable preferred stock	6,175	---	---	(6,175)
Balance at March 31, 1992	395,183	1,875	117,419	16,052,194

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Cash Flows
(Unaudited)

	--- Three months ended ---	
	March 31, 1991	March 31, 1992
Cash flows from operating activities:		
Net loss	$(221,054)	$(161,706)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,753	11,874
Loss on retirement of fixed assets	---	---
Provision for (recovery of) losses on bad debts	---	---
Compensation charge relating to nonqualified stock options	4,779	2,077
Changes in assets and liabilities:		
Increase (decrease) in accrued payroll	---	---
Increase (decrease) in debenture interest payable	30,000	30,000
Increase (decrease) in accounts payable and other accrued expenses	(65,444)	(28,926)
Decrease (increase) in accounts receivable	(31,871)	(8,114)
Decrease (increase) in prepaid expenses and deposits	(5,763)	693
Decrease (increase) in inventories	2,751	1,438
Net cash used in operating activities	(278,849)	(152,664)
Cash flows from investing activities:		
Capital expenditures	---	---
Net cash used in investing activities	---	---
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of related expenses	1,149,000	---
Issuance of common stock upon reinvestment of debenture interest payable	---	---
Fees paid in connection with various financing arrangements	(40,785)	---
Net cash provided by (used in) financing activities	1,108,215	---
Net increase (decrease) in cash and cash equivalents	829,366	(152,664)
Cash and cash equivalents at beginning of year	9,682	276,663
Cash and cash equivalents at end of period	$ 839,048	$ 123,999
Supplementary disclosure - cash paid for interest	$ 709	$ 953

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(1) Unaudited Financial Statements

The financial statements presented herein as of March 31, 1991 and 1992 and for the three-month period ended March 31, 1991 and 1992 are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position and results of operations. Such financial statements do not include all of the information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles.

(2) Inventories

Inventories are stated at the lower of average cost or market and consisted of the following:

	March 31, 1991 (Unaudited)	March 31, 1992 (Unaudited)	December 31, 1991
Raw materials	$ 3,710	$ 3,560	$ 3,560
Finished goods	11,405	1,599	3,036
	$ 15,115	$ 5,159	$ 6,596

During 1991, the inventories related to the Company's ClandoSan® product line were written down to net realizable value due to the current prevailing market conditions.

(3) Stockholders' Equity

At March 31, 1992, 86,746 shares of authorized but unissued common stock were reserved for exercise at $6.64 per share pursuant to a stock purchase warrant granted to the underwriter in connection with the Company's initial public offering, 978,850 shares of authorized but unissued common stock were reserved for exercise pursuant to the 1986 Stock Option Plan, 488,184 shares of authorized but unissued common stock were reserved for issuance upon conversion of the Company's outstanding preferred stock, 314,092 shares of authorized but unissued common stock were reserved for issuance upon exercise at $6.00 per share of stock purchase warrants issued to preferred stockholders who converted to common stock in 1988.

800,000 shares of authorized but unissued common stock were reserved for issuance upon reinvestment of interest on the variable rate subordinated debenture and 375,000 shares of authorized but unissued common stock were reserved for issuance upon conversion of the variable rate subordinated debenture.

(4) Net Loss Per Common Share

Net loss per common share for the three-month periods ended March 31, 1991 and 1992 is based on 9,099,185 and 11,724,646 weighted average shares, respectively. For purposes of computing net loss per common share, the amount of net loss has been increased by cumulative undeclared dividends in arrears on preferred stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Sales revenue for the three-month period ended March 31, 1992 consisted almost entirely of sales of the Company's ClandoSan® nematicide product. The revenue was similar to the corresponding period in 1991 and reflects the concentration of ClandoSan® marketing efforts in a smaller geographical region.

Selling, general and administrative expenses for the quarter continued to decline when compared with the corresponding period of the prior year. These decreases reflect the continuing successful efforts of management in reducing the operating costs.

Financial Position

In December 1988, the Company suspended payment of the quarterly dividend on its preferred stock. Resumption of the dividend will require significant improvements in cash flow. Unpaid dividends cumulate for future payment or increase the liquidation preference or redemption value of the preferred stock. As of March 31, 1992, total dividends in arrears on the Company's preferred stock was $506,446, of which $86,446 ($2.24 per share) was included in the carrying value of the redeemable preferred stock and $420,000 ($2.24 per share) was included in the liquidation preference of the preferred stock.

Liquidity and Capital Resources

Historically, the Company has been funded primarily by equity contributions, loans from stockholders and license fees. As of March 31, 1992, the Company had a working capital deficit of approximately $64,000, of which approximately $124,000 is in cash and cash equivalents, consisting entirely of proceeds from the private placement of common stock in February 1991.

In June of 1990, the Company accepted subscriptions in a private placement to purchase 4,500,000 newly issued shares of common stock to five Directors of the Company. The shares were issued at a price of $.10 per share, for an aggregate consideration of $450,000.

Effective February 15, 1991, the Company accepted additional subscriptions in a private placement to purchase 4,596,000 newly issued shares of common stock from accredited investors, certain of whom were Directors of the Company. The shares were issued at a price of $.25 per share for an aggregate consideration of $1,149,000.

The shares issued by the Company in both June 4, 1990 and February 15, 1991 will provide the Company with working capital funds through the first quarter of 1992. It is anticipated that during the second quarter of 1992, the Company will seek to raise from approximately $600,000 to $900,000 from private investors, some of whom will be directors of the Company. A portion of these proceeds will be utilized for the manufacture and commercialization of the Company's product, AstaXin® in Chile and in the United States in anticipation of sales.

Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes ("SFAS No. 109") was issued by the Financial Accounting Standards Board in February, 1992 and is effective for years beginning after 1992, or earlier at the Company's option. As the Company has incurred substantial net operating losses which are being carried forward for income tax purposes, the adoption of SFAS No. 109 will not have any material impact on the Company's financial position or results of operations.

The Company does not believe that inflation has had a significant impact on the Company's operations during the past two years.

FORM 10-Q

IGENE Biotechnology, Inc.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

FORM 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IGENE Biotechnology, Inc.
(Registrant)

Date: May 14, 1992

Stephen F. Hiu
President, Treasurer and
Secretary
(On behalf of the Registrant and as
Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 1, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

PROCESSED BY
MAR 19, 1992

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Commission file number 0-17865

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Newbridge Networks Corporatio
(Exact name of registrant as specified in its cr

Canada
(State or other jurisdiction of incorporation or organization)

98-0077506
(I.R.S. Employer Identification No.)

600 March Road, Kanata, Ontario, Canada
(Address of principal executive offices)

K2K 2E6
(Zip Code)

Registrant's telephone number, including area code (613) 591-3600

______
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No _

The number of Common Shares of the registrant outstanding as at March 9, 1992 was 34,939,193.

(Exhibit index located on page 22)
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)

(Canadian dollars, amounts in thousands except per share data)
(Unaudited)

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991 (as restated)
Sales	$45,910	$34,709	$129,319	$112,268
Cost of sales	19,635	14,018	54,590	44,657
Gross margin	26,275	20,691	74,729	67,611
Expenses				
Selling and technical support	11,623	14,261	34,244	39,694
General and administrative	3,516	4,260	10,255	12,156
Research and development	5,331	5,081	16,239	13,313
Income from operations	5,805	(2,911)	13,991	2,448
Interest income	40	107	152	452
Interest expense	(1,494)	(2,114)	(5,187)	(6,249)
Equity in loss from affiliates (Note 4)	(364)	—	(1,245)	—
Restructuring costs	—	—	—	(3,510)
Settlement of litigation (Note 2)	—	—	—	(6,001)
Other expenses	(417)	(786)	(785)	(2,071)
Earnings before income taxes	3,570	(5,704)	6,926	(14,931)
Provision for (recovery of) income taxes	1,149	(18)	1,849	(698)
Net earnings	2,421	(5,686)	5,077	(14,233)
(Deficit) retained earnings, beginning of the period — as restated (Note 2)	(4,977)	1,733	(7,633)	10,280
(Deficit) retained earnings, end of the period	$ (2,556)	$ (3,953)	$ (2,556)	$ (3,953)
Earnings per share (Note 5)				
Net earnings				
Basic	7¢	(17¢)	15¢	(42¢)
Fully diluted	7¢	(17¢)	15¢	(42¢)
Weighted average number of shares				
Basic	34,473	33,792	34,347	33,720
Fully diluted	34,473	33,792	34,347	33,720

See accompanying Notes to the Consolidated Financial Statements.

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Canadian dollars in thousands)

ASSETS

	February 1, 1992 (unaudited)	April 30, 1991 (as restated)
Current assets		
Cash	$ 8,785	$ 4,584
Accounts receivable, net of provision for returns and doubtful accounts of $4,189 (April 30, 1991 - $3,594)	44,372	39,088
Refundable tax credits and other government assistance	3,156	3,817
Inventories (Note 3)	29,988	36,995
Prepaid expenses	2,328	2,408
	88,629	86,892
Property, plant and equipment	63,382	67,800
Software development costs	10,508	9,482
Investments in and advances to affiliates (Note 4)	2,261	1,364
Other assets	2,744	1,857
	$167,524	$162,395

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 1, 1992 (unaudited)	April 30, 1991 (as restated)
Current liabilities		
Accounts payable	$ 12,446	$ 13,310
Accrued liabilities	11,157	11,274
Income taxes	—	106
Current portion of long term obligations	6,423	6,055
	30,026	30,745
Long term obligations	28,898	31,446
Accrued costs of settlement of litigation (Note 2)	4,286	6,001
Deferred income taxes	1,140	540
	64,350	68,732
Minority interest	—	166
Share capital		
Common shares - 34,837,821 outstanding (April 30, 1991 - 34,145,301 outstanding)	105,867	102,583
Accumulated foreign currency translation adjustment	(137)	(1,853)
Deficit	(2,556)	(7,633)
	103,174	93,497
	$167,524	$162,395

See accompanying Notes to the Consolidated Financial Statements.

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)
(Unaudited)

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991 (as restated)
Operating activities				
Net earnings	$ 2,421	$(5,686)	$ 5,077	$(14,233)
Items not affecting cash:				
Depreciation and amortization	3,469	3,567	10,303	10,087
Equity in loss from affiliates (Note 4)	368	—	1,245	—
Gain on issue of shares of subsidiary (Note 4)	—	—	(625)	—
Deferred income taxes	435	—	590	(796)
Cash effect of changes in:				
Accounts receivable	(356)	5,053	(3,959)	6,443
Refundable tax credits and other government assistance	92	517	738	358
Inventories	3,106	(175)	6,465	(3,852)
Prepaid expenses	652	(173)	155	(500)
Accounts payable and accrued liabilities	(3,049)	(1,583)	(1,275)	(5,172)
Income taxes	(107)	(73)	(107)	(1,566)
Accrued costs of settlement of litigation (Note 2)	—	—	(1,715)	6,001
	7,031	1,447	16,892	(3,230)
Investing activities				
Additions to property, plant and equipment	(1,690)	(2,053)	(6,962)	(12,142)
Capitalized software development [illegible]	(1,384)	(1,413)	(4,051)	(4,427)
Investment in and advances to affiliates (Note 4)	123	(1,160)	(815)	(1,160)
Additions to other assets	(472)	(145)	(984)	(1,060)
	(3,423)	(4,771)	(12,812)	(18,789)
Financing activities				
Issue of common shares	2,098	148	2,885	574
Increase in long term obligations	913	824	2,108	5,553
Repayment of long term obligations	(1,658)	(1,368)	(4,660)	(4,568)
	1,353	(396)	333	1,559
Effect of foreign currency translation on cash flows	139	122	(212)	362
Increase (decrease) in cash	5,100	(3,598)	4,201	(20,098)
Cash (bank indebtedness), beginning of period	3,686	(1,223)	4,584	15,277
Cash (bank indebtedness), end of period	$ 8,785	$(4,821)	$ 8,785	$(4,821)
Comprised of:				
Cash	$ 8,785	$ 686	$ 8,785	$ 686
Bank indebtedness	—	(5,507)	—	(5,507)
	$ 8,785	$(4,821)	$ 8,785	$(4,821)

See accompanying Notes to the Consolidated Financial Statements.

NEWBRIDGE NETWORKS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Canadian dollars, tabular amounts in thousands except per share data)
(Unaudited)

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Newbridge Networks Corporation (the "Company") have been prepared in accordance with accounting principles generally accepted in Canada for interim financial information. These principles are also generally accepted in the United States in all material respects except as disclosed in Note 7.

In the opinion of Management, the unaudited interim consolidated financial statements reflect all normal and recurring adjustments considered necessary for fair presentation.

The results of operations for the third fiscal quarter and the three fiscal quarters ended February 1, 1992 are not necessarily indicative of the results to be expected for the fiscal year ending April 30, 1992.

2. Settlement of Litigation

In December 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the fiscal year ended April 30, 1991 in the United States District Court in Washington, D.C. The suit, which names the Company and certain of its executive officers as defendants, purports to be a class action on behalf of a class of persons who purchased Common Shares of the Company during certain periods in 1989 and 1990 and alleges that the Company made false and misleading statements in violation of United States securities law, for which damages were sought in unspecified amounts.

The settlement agreement, which is subject to the approval of the Court and other regulatory authorities, calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of US$1,500,000 (Cdn$1,715,000) in cash and 600,000 freely tradeable Common Shares to be issued by the Company following final approval of the settlement by the Court. If the value of the Common Shares, determined by a formula based on trading on the NASDAQ National Market System, is less than US$6.25 per share at the time the settlement is finally approved, the number of Common Shares issued will be increased so that the total value of the shares issued is US$3,750,000 (Cdn$4,286,000). Final approval of the settlement is not expected to be obtained for several months, during which time the cash portion of the settlement will earn interest at the daily interest rate paid by the Company's principal bankers on United States dollar deposits. The accrued interest will be paid to the plaintiffs as part of the settlement.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation are recorded retroactively to the fiscal period in which the litigation arose. As a result, the costs of settlement of litigation were recorded in the first quarter of fiscal 1991 through a prior period adjustment, restating the consolidated financial statements. The impact of the restatement for the fiscal year ended April 30, 1991 increased the net loss by $6,001,000 to $17,913,000, decreased retained earnings by $6,001,000 and increased long term liabilities by $6,001,000, comprised of an obligation to pay $1,715,000 in cash and to issue 600,000 Common Shares of the Company. Based on the anticipated timing of the approval of the settlement, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

3. Inventories

	February 1, 1992	April 30, 1991
Finished goods	$15,247	$17,321
Work-in-process	7,539	11,066
Raw materials	7,202	8,608
	$29,988	$36,995

4. Investments in and Advances to Affiliates

The Company accounts for its investments in Elcombe Systems Limited ("Elcombe") and NewLife Computer Corporation by the equity method. During the fiscal quarter ended August 3, 1991, Elcombe issued additional shares to outside interests. Although the Company holds a majority interest, the accounts of Elcombe have not been consolidated as a formal plan exists to reduce the Company's ownership to less than 50%.

5. Earnings per Share

Earnings per share has been calculated on the basis of net earnings for the period divided by the daily weighted average number of Common Shares outstanding during the period.

Under accounting principles generally accepted in the United States, earnings per share is calculated using the treasury stock method. The calculation of earnings per share under United States generally accepted accounting principles is disclosed in Note 7.

6. Related Party Transactions

During the nine months ended February 1, 1992 the Company performed approximately $635,000 of subcontracted research and development under agreements between the Company and a corporation controlled by Mr. Terence H. Matthews, an executive officer, director and shareholder of the Company. It is expected that the total amount of subcontracted research and development under these agreements will not exceed $1,000,000. Under a cross-licensing agreement between the Company and the corporation controlled by Mr. Matthews, the corporation is licensed to use certain technology of the Company in developing products and the Company is entitled to market on an exclusive basis any products which result from the subcontracted research and development. The Company will pay a net royalty equal to 5% of all sales of products developed until the total royalties paid equal one and one half times the cost of the research and development, and a net royalty of 1% thereafter. If the Company chooses not to market the developed products, third parties may be licensed to market the products, for which there would be royalties based on sales payable to the Company and to the corporation controlled by Mr. Matthews.

7. Reconciliation of Financial Results to United States Accounting Principles

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which conform in all material respects with those generally accepted in the United States ("U.S. GAAP"), except as disclosed in Note 19 to the consolidated financial statements of the Company as at April 30, 1991 (as restated), and the difference described below.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation, as described in Note 2, are recorded retroactively to the fiscal period in which the litigation arose. Under U.S. GAAP, the costs associated with the settlement of litigation are not treated as a prior period adjustment, but rather as a charge to earnings in the fiscal period in which the settlement of the litigation occurred. Because the settlement of litigation took place in December 1991, under U.S. GAAP the settlement costs would be included in the determination of earnings in the third quarter of fiscal 1992 ended February 1, 1992. If the interim consolidated statement of earnings and retained earnings (deficit) had been prepared in accordance with U.S. GAAP, net (loss) earnings, (deficit) retained earnings and earnings per share would have been:

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991
Net (loss) earnings	$(3,580)	$(5,696)	$ (924)	$(8,262)
Retained earnings (deficit), beginning of period	1,154	7,844	(1,502)	10,370
(Deficit) retained earnings, end of period	$(2,426)	$2,148	$(2,426)	$2,108
Earnings per share				
Net (loss) earnings	(10¢)	(17¢)	(3¢)	(24¢)
Weighted average number of shares outstanding	35,856	33,966	35,328	34,273

If the consolidated financial statements had been prepared in accordance with U.S. GAAP, the affected consolidated balance sheet items would appear as follows:

	February 1, 1992		April 30, 1991	
	As reported	As adjusted	As reported (as restated)	As adjusted
Total assets	$167,524	$165,581	$162,395	$160,452
Shareholders' equity	$ 103,174	$101,231	$ 93,497	$ 97,555

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's sales of $45,910,000 for the third quarter of fiscal 1992 ended February 1, 1992 represented an increase of 32% over sales of $34,709,000 for the third quarter of fiscal 1991. Sales of $129,319,000 for the nine months ended February 1, 1992 increased 15% over sales of $112,268,000 for the nine months ended February 2, 1991. Net earnings for the third quarter of fiscal 1992 were $2,421,000 or 7¢ per share ($5,077,000 or 15¢ per share for the nine months ended February 1, 1992) compared to a net loss of $5,686,000 or 17¢ per share for the third quarter of fiscal 1991 ($14,233,000 or 42¢ per share for the nine months ended February 2, 1991, as restated). The gross margin in the third quarter of fiscal 1992 was $26,275,000 (57% of sales) as compared to $20,691,000 (60% of sales) in the third quarter of fiscal 1991. During the first nine months of fiscal 1992 the gross margin as a percentage of sales decreased to 58% from 60% during the first nine months of fiscal 1991. Operating expenses of $20,470,000 (45% of sales) in the third quarter of fiscal 1992 represented a decrease of 13% from operating expenses of $23,602,000 (68% of sales) in the third quarter of fiscal 1991. During the first nine months of fiscal 1992, operating expenses decreased 7% to $60,738,000 (47% of sales) from $65,163,000 (58% of sales) recorded in the first nine months of last fiscal year. The increase in sales and the decrease in operating expenses resulted in an increase in net earnings despite the decrease in gross margin as a percentage of sales.

Sales increased in the third quarter and the first nine months of fiscal 1992 as the Company continued to increase product sales to common carriers and other telephone companies. The growth in sales was also attributable to increased sales of feeder multiplexer products that provide access to common carrier and corporate networks and, to a lesser extent, increased service revenues. An increase in the proportion of service revenues and feeder multiplexer product sales, which have lower gross margins than those on larger network system sales, and a shift in the sales mix from corporate network customers to common carrier and other telephone companies were the primary reasons for the decrease in gross margin as a percentage of sales. The decrease in operating expenses was due primarily to efforts by Management to reduce costs and restructure operations during the last fiscal year.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation (as described in Note 2 to the Consolidated Financial Statements for the Fiscal Quarter Ended February 1, 1992 included in this Quarterly Report on Form 10-Q) are recorded retroactively to the fiscal period in which the litigation arose. As a result, the costs of settlement of litigation were recorded in the first quarter of fiscal 1991 through a prior period adjustment, restating the consolidated financial statements of that year. The impact of the restatement for the fiscal year ended April 30, 1991 increased the net loss by $6,001,000 to $17,913,000, decreased retained earnings by $6,001,000 and increased long term liabilities by $6,001,000, comprised of an obligation to pay $1,715,000 in cash and to issue 600,000 Common Shares of the Company. Based on the anticipated timing of the approval of the settlement, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

RESULTS OF OPERATIONS

Sales

For the third quarter of fiscal 1992 ended February 1, 1992 the Company recorded sales of $45,910,000, an increase of 32% over sales of $34,709,000 for the third quarter of fiscal 1991. Sales of $129,319,000 for the nine months ended February 1, 1992 increased 15% over sales of $112,268,000 for the nine months ended February 2, 1991. The increase in sales reflected growth in sales of the full range of networking multiplexer products and in service revenues. During the first three quarters of fiscal 1992, product line enhancements introduced in fiscal 1991 resulted in an increase in the Company's sales to common carriers for use within their internal networks, for resale to end users and for central office applications for tariffed services. Management believes that sales to the common carrier market will continue to increase at a faster rate than sales to the corporate networking market as telephone companies increase their offerings of comprehensive networking services. Growth in revenues from the provision of services to customers during the first three quarters of fiscal 1992 as compared to the first three quarters of fiscal 1991 resulted from the continuing development of a dedicated service and technical support group, which was established as a profit center during the latter part of fiscal 1990, and from continued growth of the Company's installed base of networking products.

A significant portion of the Company's sales are derived from products shipped against orders received in the fiscal quarter and from products shipped against firm purchase orders released in that fiscal quarter. Although the Company believes it is important to equalize shipments during a quarter, historically product shipments have been concentrated close to the end of each quarter. Unforeseen delays in product delivery or closing large sales near the end of a quarter could cause quarterly revenue and, to a greater degree, net earnings, to vary greatly.

Substantial portions of the Company's sales are denominated in U.S. dollars and Pounds Sterling. Unfavorable changes in the rates of exchange of the Pound Sterling and the U.S. dollar for the Canadian dollar, relative to exchange rates in the third quarter in fiscal 1991, resulted in a $1,064,000 negative variance in reported sales for the third quarter of fiscal 1992 ($5,082,000 for the nine months ended February 1, 1992) when compared to fiscal 1992 sales translated at the rates of exchange in effect in the same periods of the previous fiscal year. As substantial portions of the Company's cost of sales and other expenses are incurred in U.S. dollars and Pounds Sterling, the variations in rates of exchange did not have a material effect on income from operations for the first nine months of fiscal 1992.

Cost of Sales and Gross Margin

Cost of sales of $19,635,000 for the third quarter of fiscal 1992 ended February 1, 1992, which increased 40% over the cost of sales of $14,018,000 for the third quarter of fiscal 1991, consists of manufacturing costs, warranty expense and costs associated with the provision of services. Cost of sales was $54,590,000 for the nine months ended February 1, 1992, an increase of 22% over the cost of sales of $44,657,000 for the first nine months of fiscal 1991. The gross margin for the third quarter of fiscal 1992 was 57% of sales, which represented a decrease of 3% from third quarter of fiscal 1991 when the gross margin was 60% of sales. The gross margin for the nine months ended February 1, 1992 was 58% of sales, which represented a decrease of 2% from the gross margin of 60% of sales for the nine months ended February 2, 1991.

Gross margins on service revenues and feeder multiplexer product sales are typically lower than gross margins on larger network system product sales. Consequently, the increase in the proportion of sales represented by feeder multiplexer product sales and service revenues relative to larger network system product sales in the first nine months of fiscal 1992 as compared to the first nine months of fiscal 1991 negatively affected the combined gross margin as a percentage of sales. In addition, during the first nine months of fiscal 1992 an increased proportion of product sales were to common carriers as compared to product sales in the first nine months of fiscal 1991. The gross margins on this type of sale are typically lower than the gross margins on direct sales of corporate networks. However, selling expenses as a percentage of common carrier sales are typically lower than selling expenses related to corporate network sales. The adverse effect of the increased proportion of feeder multiplexer product sales, service revenues and common carrier sales on gross margin was partially offset by a decrease in production overhead expenses, which occurred as a result of the restructuring of manufacturing operations which took place through the latter part of fiscal 1991.

Management believes that sales to the common carrier market will increase at a faster rate than sales to the corporate networking market as telephone companies increase their offerings of comprehensive networking services. If sales to common carriers increase as a proportion of total sales, the gross margin as a percentage of sales may be lower in future fiscal periods. In order to counter the trend in gross margins, Management has continued to focus efforts on programs to reduce manufacturing costs.

Selling, Technical Support, and General and Administrative Expenses

Selling, technical support, and general and administrative expenses for the third quarter of fiscal 1992 ended February 1, 1992 amounted to $15,139,000 or 33% of sales ($44,499,000 or 34% of sales for the nine months ended February 1, 1992) versus $18,521,000 or 53% of sales in the third quarter of fiscal 1991 ($51,850,000 or 46% of sales for the nine months ended February 2, 1991), while the amount of spending decreased 18% and 14%, respectively, over the same periods of the past fiscal year. Spending decreased primarily as a result of a reduction of the Company's cost structure, particularly in the sales and marketing organizations in North America. The decrease was also a result of an increasing number of technical support personnel addressing revenue generating network services, and consequently the associated expenses were charged to cost of sales.

Research and Development

While gross research and development spending in the third quarter of fiscal 1992 increased 1% from that expended in the third quarter of fiscal 1991, net spending increased 5% as a result of reduced recoveries of research and development expenditures compared to those recovered in the third quarter of fiscal 1991. During the third quarter of fiscal 1992 ended

February 1, 1992 the Company recorded $5,331,000 of net research and development expenses (12% of sales), as compared to expenses of $5,081,000 (15% of sales) recorded in the third quarter of fiscal 1991. Gross expenditures were $7,432,000 (16% of sales) and $7,365,000 (21% of sales) for the third quarters of fiscal 1992 and 1991 respectively. Research and development expenses for the third quarter of fiscal 1992 were reduced through recoveries of $2,101,000 from the gross expenditures (28%), as compared to recoveries of $2,284,000 (31%) for the third quarter of fiscal 1991. Recoveries in the third quarter of fiscal 1992 comprised $1,011,000 under government grants and direct customer funding ($1,456,000 for the third quarter of fiscal 1991), $714,000 for investment tax credits (nil for the third quarter of fiscal 1991) and $376,000 attributable to the capitalization of software development expenditures net of related amortization ($828,000 for the third quarter of fiscal 1991).

Gross research and development spending in the nine months ended February 1, 1992 decreased 6% from that expended in the first nine months of fiscal 1991. Net spending, however, increased 22% as a result of substantially reduced recoveries of research and development expenditures compared to those recovered in the first nine months of fiscal 1991. During the nine months ended February 1, 1992 the Company recorded $16,239,000 of net research and development expenses (13% of sales), as compared to expenses of $13,313,000 (12% of sales) recorded in the nine months ended February 2, 1991. Gross expenditures were $21,130,000 (16% of sales) and $22,425,000 (20% of sales) for the first nine months of fiscal 1992 and 1991 respectively. These expenses were reduced during the first nine months of fiscal 1992 through recoveries of $4,891,000 from the gross expenditures (23%), as compared to recoveries of $9,112,000 (41%) for the first nine months of fiscal 1991. Recoveries in the nine months ended February 1, 1992 comprised $2,611,000 under government grants and direct customer funding ($5,743,000 for the nine months ended February 2, 1991), $1,254,000 for investment tax credits ($624,000 for the nine months ended February 2, 1991) and $1,026,000 attributable to the capitalization of software development expenditures net of related amortization ($2,745,000 for the nine months ended February 2, 1991).

Research and development expenditures consist primarily of software and hardware engineering personnel expenses and, to a lesser degree, equipment and facilities. The decrease in gross research and development expenses during the first nine months of fiscal 1992 was primarily a result of a reduction of personnel and associated expenses and material and subcontracting costs. Certain commercially viable product development programs that the Company considers nonessential to its main business strategy received external funding through outside equity investment in separate affiliated companies established for that purpose, or through cross-licensing and development agreements. The decline in research and development expenditures was partially a result of the Company no longer bearing the research and development expenses incurred under these separate affiliated companies as well as funding received under cross-licensing and development agreements.

The markets for the Company's products are characterized by continuing technological change. As a result, the Company believes that continued significant expenditures for research and development will be required in the future. Research and development spending is primarily being applied to developing additional software and hardware features for existing products, new wide area networking products and features, LAN internetworking products, and additional products that build on the basic multiplexer technology of the Company.

Substantially all of the funding under the government grants previously awarded had been received by the end of fiscal 1991 and the respective governmental authorities are entitled to various royalties on certain future sales. The Company is currently negotiating with various government agencies for additional grants and actively seeks direct research and development funding from customers.

Interest and Other Expenses

Interest expense of $1,454,000 (net of interest income of $40,000) for the third quarter of fiscal 1992 ended February 1, 1992 decreased from $2,007,000 (net of interest income of $107,000) in the third quarter of fiscal 1991. Interest expense for the nine months ended February 1, 1992 was $5,035,000 (net of interest income of $152,000), as compared to $5,797,000 (net of interest income of $452,000) in the first nine months of fiscal 1991. These reductions were a result of decreased short term borrowings during the third quarter and first nine months of fiscal 1992 as well as reduced interest rates on short term borrowings and on mortgages in the United Kingdom and Canada. Interest expense relates primarily to interest on mortgages on the Company's buildings, interest on capital leases which finance equipment used in the day to day operations of the Company, and, to a lesser extent, interest on short term bank credit facilities.

Equity in loss from affiliates consists of the Company's share of losses of non-consolidated affiliates which amounted to $368,000 for the quarter ended February 1, 1992 ($1,245,000 for the first nine months of fiscal 1992).

Other expenses during the third quarter were $413,000 ($785,000 for the nine months ended February 1, 1992), representing approximately 1% of sales.

In December 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the fiscal year ended April 30, 1991. Under accounting principles generally accepted in Canada, the costs of settlement of the litigation were recorded retroactively to the first quarter of fiscal 1991 through a prior period adjustment, restating the results for the nine months ended February 2, 1991 to reflect the settlement during the period in which the litigation arose. The settlement agreement calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of $1,715,000 in cash and 600,000 freely tradeable Common Shares to be issued by the Company which have been valued at $4,286,000. Based on the anticipated timing of the approval of the settlement by the court, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

Income Taxes

As a multinational corporation, the Company's tax rate is affected by the relative profitability of operations and the national tax policies in each of the various countries in which the Company operates. The composite corporate rate of tax for the third quarter of fiscal 1992 ended February 1, 1992 was 32% (27% for the nine months ended February 1, 1992), as compared to a net recovery of taxes in the comparable periods of fiscal 1991. During the first three quarters of fiscal 1992 the rate of tax was reduced from the statutory rate by the application of certain losses carried forward from prior fiscal periods. The recovery of income taxes during the first three quarters of fiscal 1991 consisted of the reversal of previously recorded deferred income taxes.

Net Earnings

Net earnings for the third quarter of fiscal 1992 ended February 1, 1992 were $2,421,000 or 7¢ per share ($5,077,000 or 15¢ per share for the nine months ended February 1, 1992), compared to a net loss of $5,686,000 or 17¢ per share for the third quarter of fiscal 1991 ($14,233,000 or 42¢ per share as restated for the nine months ended February 2, 1991). The impact of the restatement for the nine months ended February 2, 1991 increased the net loss by $6,001,000 to $14,233,000. The improvement in net earnings in the third quarter of fiscal 1992 as compared to the third quarter of fiscal 1991 was primarily a result of the increase in sales of $11,201,000 ($17,051,000 for the nine months). Although the gross margin as a percentage of sales declined because of a sales mix shift to feeder multiplexer products, service revenues and sales to common carriers, net earnings also improved as operating expenses were reduced.

RECONCILIATION OF FINANCIAL RESULTS TO UNITED STATES ACCOUNTING PRINCIPLES

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation were recorded retroactively to the first quarter of fiscal 1991, the fiscal period in which the litigation arose. Under accounting principles generally accepted in the United States (U.S. GAAP), the costs associated with the settlement would be treated as a charge to earnings in the fiscal period in which the settlement occurred. Because the settlement took place in December 1991, the settlement costs would be included in the determination of earnings in the third quarter of fiscal 1992. Under U.S. GAAP a net loss of $3,580,000 or 10¢ per share would have been reported for the third quarter ended February 1, 1992 ($924,000 or 3¢ per share for the first nine months of fiscal 1992).

FINANCIAL CONDITION

As at February 1, 1992 the Company had $8,785,000 of cash. Working capital increased from $56,147,000, as restated, to $58,603,000 during the nine months ended February 1, 1992. The increase of $2,456,000 was primarily a result of net earnings of $5,077,000 and the proceeds of $2,885,000 from the exercise of employee options to purchase Common Shares of the Company, partially offset by an increase in property, plant and equipment (net of depreciation) of $582,000 and repayment of long term debt of $4,660,000.

The two principal components of the Company's working capital are inventory and accounts receivable. Both the level of inventory and the average days sales outstanding in accounts receivable have decreased in recent quarters as a result of actions taken to improve the management of working capital. Management believes that levels of inventory and accounts receivable were relatively high at the end of the third quarter of fiscal 1992, largely reflecting the fact that the Company has historically built a substantial portion of its inventory on the basis of internal forecasts and that product shipments are concentrated close to the end of each quarter. Management believes that its practices with respect to inventory and accounts receivable are consistent with practices generally prevailing in the digital networking industry.

Existing short term bank credit facilities include $20,000,000 of working capital facilities with Royal Bank of Canada bearing interest at 1/2% above the Royal Bank of Canada prime lending rate, and a £2,000,000 ($4,193,000) working capital facility with Barclays Bank plc in the United Kingdom bearing interest at 2% above the United Kingdom bank base rate. At February 1, 1992 there were no outstanding borrowings under these lines of credit. The Company's banks have provided the Company with various letters of credit in the aggregate amount of $1,011,000 which reduce the availability under the lines of credit so long as the letters of credit remain open. Use of the short term bank credit facilities will vary from time to time in accordance with changes in working capital requirements. These demand credit facilities are subject to annual review. Management believes that the lines of credit can be extended in the future on terms no less favorable to the Company.

During the first nine months of fiscal 1992 the Company had capital expenditures of $6,962,000 ($1,690,000 during the third quarter of fiscal 1992). Capital acquisitions were primarily for equipment for technical support and network services, research and development, and manufacturing. Management anticipates that additional capital expenditures during the current fiscal year will be principally for research and development equipment and other general requirements. Management believes that existing cash resources and credit facilities will prove adequate to meet its operating and capital requirements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has previously reported on the following legal proceeding in Item 5 of a Current Report on Form 8-K dated December 17, 1991 (the "Form 8-K Report").

On December 17, 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the Company's fiscal year ended April 30, 1991 in the United States District Court in Washington, D.C. The suit, which names the Company and certain of its executive officers as defendants, purports to be a class action on behalf of a class of persons who purchased Common Shares of the Company during certain periods in 1989 and 1990 and alleges that the Company made false and misleading statements in violation of United States securities law, for which damages were sought in unspecified amounts.

The settlement agreement, which is subject to the approval of the Court and other regulatory authorities, calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of US$1,500,000 (Cdn$1,715,000) in cash and 600,000 freely tradeable Common Shares to be issued by the Company following final approval of the settlement by the Court. If the value of the Common Shares, determined by a formula based on trading on the NASDAQ National Market System, is less than US$6.25 per share at the time the settlement is finally approved, the number of Common Shares issued will be increased so that the total value of the shares issued is US$3,750,000 (Cdn$4,286,000). Final approval of the settlement is not expected to be obtained for several months, during which time the cash portion of the settlement will earn interest at the daily interest rate paid by the Company's principal bankers on United States dollar deposits. The accrued interest will be paid to the plaintiffs as part of the settlement.

The Company believes that the settlement will not have any material adverse effect on its operations, as it has sufficient funds available to pay the cash amount of the settlement. The 600,000 Common Shares to be issued in the settlement will represent approximately 1.7% of the total number of Common Shares outstanding at the time they are issued.

The settlement has been recorded by the Company as a prior period adjustment in the amount of Cdn$6,001,000 to its last fiscal year ended April 30, 1991 as reflected in the consolidated financial statements, as restated, in Item 7 of the Form 8-K Report. The settlement had no effect on earnings for the third quarter of fiscal 1992 ended February 1, 1992 or for the nine months ended February 1, 1992. This treatment complies with accounting principles generally accepted in Canada. Under accounting principles generally accepted in the United States, the settlement would have been recorded as a charge to earnings in the third quarter of fiscal 1992 ended February 1, 1992 as reflected in Note 7 to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

The Company and the individual defendants have expressly denied any liability under the securities laws alleged to have been violated. However, the Company believes that settlement of the suit on these terms is advantageous in view of the risks, the substantial defense costs and the distraction of management focus inherent in continuing the litigation.

Item 5. Other Information

On March 3, 1992, Dr. Henry Simon resigned as a Director of the Company.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit 11.1	Computation of earnings per share under accounting principles generally accepted in Canada.
Exhibit 11.2	Computation of earnings per share under accounting principles generally accepted in the United States.

b) Reports on Form 8-K

During the fiscal quarter ended February 1, 1992, the Company filed a Current Report on Form 8-K dated December 17, 1991 (the "Form 8-K Report"). The Form 8-K Report disclosed an agreement in principle to settle litigation as reported in Part II, Item 1 of this Quarterly Report on Form 10-Q. Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation are reported as a prior period adjustment to the period in which the litigation arose. As a result, the Company retroactively recorded the costs of settlement in the first quarter of fiscal 1991 ended August 4, 1990. To reflect the prior period adjustment, the following restatements of the consolidated financial statements included in the Company's previously filed Annual Report on Form 10-K for the fiscal year ended April 30, 1991 and Quarterly Reports on Form 10-Q for the fiscal quarters ended August 4, 1990, November 3, 1990, February 2, 1991, August 3, 1991, and November 2, 1991 were filed as part of the Form 8-K Report.

Exchange Rates

Consolidated Financial Statements (as restated) for Fiscal Year 1991

First Quarter Ended August 4, 1990

Consolidated Statements of Earnings and Retained Earnings (as restated) - Fiscal quarters ended August 4, 1990 and August 5, 1989

Consolidated Balance Sheets (as restated) - August 4, 1990 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) - Fiscal quarters ended August 4, 1990 and August 5, 1989

Second Quarter Ended November 3, 1990

Consolidated Statements of Earnings and Retained Earnings (as restated) - Fiscal quarters and two fiscal quarters ended November 3, 1990 and November 4, 1989

Consolidated Balance Sheets (as restated) -
November 3, 1990 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters and two fiscal quarters ended
November 3, 1990 and November 4, 1989

Third Quarter Ended February 2, 1991

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal quarters and three fiscal
quarters ended February 2, 1991 and February 3, 1990

Consolidated Balance Sheets (as restated) -
February 2, 1991 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters and three fiscal quarters ended
February 2, 1991 and February 3, 1990

Fiscal Year Ended April 30, 1991

Auditors' Report

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal years ended April 30, 1991,
April 30, 1990 and April 30, 1989

Consolidated Balance Sheets (as restated) -
April 30, 1991 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal years ended April 30, 1991, April 30, 1990
and April 30, 1989

Notes to the Consolidated Financial Statements (as restated)

Computation of Earnings Per Share (as restated) Under
Accounting Principles Generally Accepted in Canada

Selected Quarterly Financial Data (as restated) for Fiscal 1991

Selected Financial Data (as restated)

**Consolidated Financial Statements (as restated) for the
First Two Quarters of Fiscal Year 1992**

First Quarter Ended August 3, 1991

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal quarters ended August 3,
1991 and August 4, 1990

Consolidated Balance Sheets (as restated) - August 3, 1991 and April 30, 1991

Consolidated Statements of Cash Flows (as restated) - Fiscal quarters ended August 3, 1991 and August 4, 1990

Second Quarter Ended November 2, 1991

Consolidated Statements of Earnings and Retained Earnings (Deficit) (as restated) - Fiscal quarters and two fiscal quarters ended November 2, 1991 and November 3, 1990

Consolidated Balance Sheets (as restated) - November 2, 1991 and April 30, 1991

Consolidated Statements of Cash Flows (as restated) - Fiscal quarters and two fiscal quarters ended November 2, 1991 and November 3, 1990

Notes to the Consolidated Financial Statements (as restated)

Computation of Earnings Per Share (as restated) Under Accounting Principles Generally Accepted in Canada

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEWBRIDGE NETWORKS CORPORATION
(Registrant)

Date: March 12, 1992

By: ____________________
Terence H. Matthews,
Chairman of the Board of
Directors and President

Date: March 12, 1992

By: ____________________
Peter D. Charbonneau,
Vice President, Finance,
Chief Financial Officer
and Treasurer

EXHIBIT INDEX

		Page No.
11.1	Computation of earnings per share under accounting principles generally accepted in Canada	23
11.2	Computation of earnings per share under accounting principles generally accepted in the United States	24

EXHIBIT 11.1

NEWBRIDGE NETWORKS CORPORATION

COMPUTATION OF EARNINGS PER SHARE

(Accounting principles generally accepted in Canada)
(Canadian dollars in thousands, except share and per share data)
(Unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
Basic earnings per share	Feb 1, 1992	Feb 2, 1991	Feb 1, 1992	Feb 2, 1991
Net earnings	$2,421	$(5,606)	$5,077	$(14,233)
Common Shares outstanding at the beginning of the period	34,358	33,776	34,145	33,520
Weighted average number of Common Shares issued during the period	115	16	202	200
Weighted average number of Common Shares outstanding at the end of the period	34,473	33,792	34,347	33,720
Basic earnings per share	7¢	(17¢)	15¢	(42¢)
Fully diluted earnings per share				
Earnings before imputed earnings	$2,421	$(5,686)	$5,077	$(14,233)
After tax imputed earnings from the invesment of funds received through dilution	-	-	-	-
Adjusted net earnings	$2,421	$(5,686)	$5,077	$(14,233)
Weighted average number of Common Shares outstanding at the end of the period	34,473	33,792	34,347	33,720
Weighted average Common Share equivalents based on conversion of outstanding stock options	-	-	-	-
Weighted average number of Common Shares and equivalents outstanding at the end of the period	34,473	33,792	34,347	33,720
Fully diluted earnings per share	7¢	(17¢)	15¢	(42¢)

EXHIBIT 11.2

NEWBRIDGE NETWORKS CORPORATION

COMPUTATION OF EARNINGS PER SHARE

(Accounting principles generally accepted in the United States)
(Canadian dollars in thousands, except share and per share data)
(Unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
Earnings per share (U.S. GAAP)	Feb 1, 1992	Feb 2, 1991	Feb 1, 1992	Feb 2, 1991
Net earnings	$(3,580)	$(5,696)	$(924)	$(8,262)
Common Shares outstanding at the end of the period	34,838	33,837	34,838	33,837
Net effect of dilutive stock options, based on the treasury stock method	1,018	129	490	436
Weighted average number of Common Shares outstanding at the end of the period as adjusted	35,856	33,966	35,328	34,273
Earnings per share (U.S. GAAP)	(10¢)	(17¢)	(3¢)	(24¢)

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OMB APPROVAL

OMB Number	3235-0070
Expires	June 30, 1991
Estimated average burden hours per response	190.00

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
JJM
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For the transition period from ______ to ______

Commission File Number 2-84417

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Q-Data Corp. - St. Petersburg, FL

Noise Cancellation Technologies, Inc
(Exact name of registrant as specified in its

Delaware
(State or other jurisdiction of incorporation or organization)

59-2501025
(I.R.S. Employer Identification No.)

1015 West Nursery Road, Linthicum, MD
(Address of principal executive offices)

21090
(Zip Code)

(410) 636-8700
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

✓ Yes ___ No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court ___ Yes ___ No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

58,345,887 shares outstanding as of May 15, 1992

PART I - FINANCIAL INFORMATION

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NOISE CANCELLATION TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
REVENUES:		
Sales	$11,576	$84,943
Engineering and development income	936,152	1,076,809
License fees		1,000,000
Total Revenues	947,728	2,161,752
COSTS AND EXPENSES:		
Costs of sales	7,729	40,761
Costs of engineering and development services	669,657	752,603
Selling, general and administrative	905,222	668,182
Research and development	738,032	331,009
Total Costs and Expenses	2,320,640	1,792,555
BALANCE	(1,372,912)	369,197
OTHER EXPENSES (Income):		
Settlement agreement		203,965
Interest expense	9,913	11,604
Interest (income)	(27,922)	(2,662)
Total other expenses (income)	(18,009)	212,907
INCOME (LOSS) BEFORE INCOME TAXES	(1,354,903)	156,290
INCOME TAX EXPENSE		124,400
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(1,354,903)	31,890
EXTRAORDINARY ITEM:		
Net operating loss utilization		17,850
NET INCOME (LOSS)	($1,354,903)	$49,740
Weighted average number of common shares outstanding	57,803,659	49,845,693
NET (LOSS) PER SHARE	($.02)	$ -

See accompanying notes to financial statements

NOISE CANCELLATION TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31 1991
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 330,524	$ 766,840
Short-term investments (at cost which approximates market)	1,208,000	1,200,000
Accounts receivable (including unbilled receivables of $41,382 for 1992 and $98,991 for 1991	274,595	614,313
Current maturities of long-term license fees receivable	390,000	525,000
Inventories, (substantially parts and work in process)	295,451	184,920
Other current assets	185,539	134,530
Total current assets	2,684,109	3,425,603
Long-term license fee receivable - less current maturities	280,000	340,000
Machinery and equipment, at cost, less accumulated depreciation of $557,555 and $505,945 for 1992 and 1991, respectively	783,422	683,209
Patent rights, less accumulated amortization of $340,369 and $316,133 for 1992 and 1991, respectively	875,768	853,753
Other assets	188,128	181,489
Total	$ 4,811,427	$ 5,484,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable-officers/stockholders	$ 450,000	$ 450,000
Current maturities of long-term debt	16,443	17,671
Acccunts payable	636,334	647,041
Accrued expenses	170,270	185,909
Accrued payroll	155,499	55,063
Taxes payable (principally payroll taxes)	106,771	98,529
Total current liabilities	1,535,317	1,454,213
Long-term debt-less current maturities		3,070
Commitments and other matters		
Stockholders' equity:		
Preferred stock, $.10 par value, 10,000,000 shares authorized		
Common stock, $.01 par value, 75,000,000 shares authorized: issued 58,490,442shares in 1992 and 57,684,132 shares in 1991	584,904	576,841
Additional paid-in-capital	18,847,351	17,918,947
(Deficit)	(15,419,687)	(14,064,784)
Foreign currency translation adjustment	17,079	(11,027)
Stock subscription receivable	(122,472)	(122,472)
Deferred expenses paid with common stock	(571,065)	(210,734)
	3,336,110	4,086,771
Less-cost of common shares held as treasury stock (276,065 shares)	(60,000)	(60,000)
Total stockholders' equity	3,276,110	4,026,771
Total	$ 4,811,427	$ 5,484,054

See accompanying notes to financial statements

NOISE CANCELLATION TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities		
Net income (loss)	($1,354,903)	$49,740
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
Depreciation and amortization	85,601	62,613
Common stock issued as consideration for:		
Rent	165,210	
Operating expenses	35,308	
Compensation		30,500
Settlement agreements		203,965
Effect of changes in exchange rates	32,656	25,997
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	336,813	(102,270)
(Increase)decrease in license fees receivable	195,000	(900,000)
(Increase) in inventories	(110,531)	(8,410)
(Increase) in other assets	(136,572)	(35,722)
Increase (decrease) in accounts payable	(1,166)	172,575
Increase in accrued expenses	4,713	179,239
Increase in other liabilities	117,744	181,321
Net cash (used in) operating activities	(630,127)	(140,449)
Cash flows from investing activities:		
Acquisition of equipment	(157,809)	(40,511)
Purchase of short-term investments	(100,000)	
Proceeds from disposition of short-term investments	92,000	
Net cash (used in) investing activities	(165,809)	(40,511)
Cash flows from financing activities:		
Proceeds from sale of common stock and exercise of stock purchase warrants and stock options	363,918	57,104
Repayment of obligations in connection with patent rights	(4,298)	(3,999)
Net cash provided by financing activities	359,620	53,105
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(436,316)	(127,855)
Cash and cash equivalents-beginning of period	766,840	330,103
CASH AND CASH EQUIVALENTS - END OF PERIOD	$330,524	$202,248
Supplemental disclosure of cash flows information		
Cash paid during the period for interest	$6,778	$14,059

See accompanying notes to financial statements

NOISE CANCELLATION TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The condensed Consolidated Balance Sheet at December 31, 1991 was condensed from the audited Consolidated Balance Sheet in the 1991 Annual Report on Form 10-K.

2. PATENT RIGHTS

In 1992, the Company acquired a patent covering speech filtering to be used in headset products in exchange for 10,000 shares of the Company's common stock.

3. STOCK OPTIONS AND WARRANTS

The Company's 1987 Stock Option Plan (the "1987 Plan") provides for the granting of 4,000,000 shares of common stock. At March 31, 1992, options for 3,400,256 shares are outstanding at prices ranging from $.28125 to $4.83, and of that amount, options for 3,039,756 are currently exercisable. In addition, nonstatutory stock options for 1,779,501 shares at prices ranging from $.50 to $4.91 per share are outstanding, and of that amount, options for 952,834 shares are currently exercisable.

At March 31, 1992, the Company has 10,166,343 shares of its common stock reserved for warrants that are exercisable at various times through 1997 at prices ranging from $.20 to $1.

4. CAPITAL STOCK

The changes in Stockholders' Equity during the nine months ended March 31, 1992 were as follows:

	Balance at December 31, 1991	Exercise of Warrants and Options	Settlement of Obligations	Net (Loss) for the Period	Foreign Currency Translation Adjustment	Balance at March 31, 1992
Common Stock						
Shares	57,684,132	608,250	198,060			58,490,442
Amount	$576,841	6,083	1,980			$584,904
Additional Paid-In Capital	$17,918,947	357,835	570,569			$18,847,351
(Deficit)	($14,064,784)			(1,354,903)		($15,419,687)
Foreign Currency Translation Adjustment	($11,027)				28,106	$17,079
Stock Subscription Receivable	($122,472)					($122,472)
Deferred Expenses Paid with Common Stock	($210,734)		(360,331)			($571,065)
Treasury Stock						
Shares	276,065					276,065
Amount	($60,000)					($60,000)

Noise Cancellation Technologies, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three months ended March 31, 1992 and 1991

Results of Operations

Revenues from product sales and engineering and development income declined in the first quarter of 1992 by $214,000 when compared with the same quarter last year, reflecting the continuing effect of the weakened economy in delaying the closing of agreements for follow-on work or for feasibility prototypes for new applications. The engineering revenues were principally attributable to the Company's contractual relationships with Walker, Electrolux and an international manufacturing company of recreational products which resulted in an increase of $143,000 in engineering revenues from these sources over the fourth quarter of 1991. As a result of the delays in closing agreements, the Company did not receive any license fees in the first quarter of 1992 comparable to that recognized in 1991 from the Foster joint venture.

Selling, general and administrative expenses in the first quarter were $237,000 higher than in the same quarter last year, principally as a result of increases in personnel and travel costs attributable to the marketing efforts to obtain and support strategic alliances such as Detroit Diesel, Cooper Industries and Foster Electric.

Research and development expenses were up $407,000 in the first quarter over the comparable period a year ago reflecting the Company's need to increase its engineering capabilities by assimilating additional engineering personnel to finalize and document the engineering specifications that support our product production programs. We have also continued the emphasis on expanding our portfolio of intellectual property which resulted in the issue of three significant patents in 1992.

Interest income was greater in 1992 than in the comparable period of 1991 because of the increased level of cash resources available for investment in 1992.

Liquidity and Capital Resources

The Company maintained positive working capital during the first quarter of 1992. The effect of the first quarter's loss on working capital was mitigated by funds received from the exercise of warrants and options - $364,000 and the issuance of common stock in settlement of obligations which had the effect of reducing the Company's cash flow requirements by $285,000. The Company anticipates receiving $1.2 million over the remainder of 1992 from warrants expiring this year which together with anticipated revenues should be sufficient to cover the Company's operating requirements for 1992.

The Company continues to focus on its business strategy of commercializing its technology through the sale of products as reflected by the sales agreement signed in March with

Siemens Medical Systems, Inc. for the delivery of $3 million of MRI products over a two-year period. We have also continued to develop and implement strategic alliances, commencing the operations of the joint venture formed in December 1991 with S.A. Andre Boet to manufacture and market active industrial silencers for the European marketplace. In addition, the Company signed an agreement to establish a joint venture with Philips Consumer Electronics in The Netherlands to develop and supply active noise and vibration cancellation systems, which parallels the supply joint venture established in Japan with Foster Electric Ltd. in 1991. These moves, together with the worldwide sales effort for industrial silencers initiated by the Gardner-Denver Industrial Machinery Division of Cooper Industries, have established the base for moving forward with our plans to transform the Company's revenue mix by shifting the emphasis from customer-funded research and development revenue to revenue from the sale of active noise and vibration cancellation products.

Noise Cancellation Technologies, Inc

SIGNATURE

Pursuant to the requirement of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

NOISE CANCELLATION TECHNOLOGIES, INC

By: ______________________
John J McCloy II
Chairman and
Chief Financial Officer

By: ______________________
Michael J. Parrella
President and
Chief Operating Officer

Dated May19, 1992

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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92-2256

(Mark One)

(x) Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarter ended March 31, 1992.

or

(   ) Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition period from ____________________ to ____________________.

Commission file number 0-1388

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WATERS INSTRUMENTS, INC.

A Minnesota Corporation IRS Employer I
41-08

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

2411 Seventh Street NW
Rochester, Minnesota 55901

(507) 288-7777

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares of the registrant's common stock issued and outstanding on April 30, 1992 was 1,454,271 shares.

There are eight (8) pages filed on this report.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

WATERS INSTRUMENTS, INC.

Balance Sheet

	March 31, 1992 (Unaudited)	June 30, 1991 (Audited)	March 31, 1991 (Unaudited)
Current Assets			
Cash & Cash Equivalents	$600,000	$1,877,000	$1,784,000
Net Trade Receivables	1,400,000	1,268,000	1,167,000
Refundable Income Taxes	125,000	146,000	219,000
Inventories	2,002,000	1,221,000	1,430,000
Frepaid Exp. & Deferred Items	300,000	270,000	273,000
Total Current Assets	4,427,000	4,782,000	4,873,000
Fixed Assets			
Property, Plant & Equipment	3,501,000	3,300,000	2,738,000
Less Accumulated Depreciation	(1,780,000)	(1,625,000)	(1,600,000)
Net Fixed Assets	1,721,000	1,675,000	1,138,000
Other Assets	219,000	267,000	210,000
TOTAL ASSETS	$6,367,000	$6,724,000	$6,221,000
Current Liabilities			
Current Maturities of Long-term Debt	$ 69,000	$ 65,000	$ 8,000
Accounts Payable	821,000	1,018,000	458,000
Accrued Salaries	90,000	127,000	55,000
Accrued Vacation Pay	117,000	166,000	169,000
Product Warranty Reserve	175,000	250,000	253,000
Accrued Other Expenses	218,000	292,000	487,000
Total Current Liabilities	1,490,000	1,918,000	1,430,000
Long-term Debt, Less Current Maturities	270,000	320,000	24,000
Deferred Income Taxes	34,000	34,000	17,000
TOTAL LIABILITIES	1,794,000	2,272,000	1,471,000
Stockholders' Equity			
Common Stock	145,000	145,000	145,000
Additional Paid-in Capital	1,227,000	1,227,000	1,227,000
Retained Earnings	3,201,000	3,080,000	3,378,000
TOTAL STOCKHOLDERS' EQUITY	4,573,000	4,452,000	4,750,000
TOTAL LIABILITIES & EQUITY	$6,367,000	$6,724,000	$6,221,000

See Note to Financial Statements

PART I
FINANCIAL INFORMATION

tem 1. Financial Statements (continued)

WATERS INSTRUMENTS, INC.

Statement of Operations

(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	1992	1991	1992	1991
ET SALES	$2,559,000	$2,447,000	$7,671,000	$7,562,000
OST OF GOODS SOLD	1,651,000	1,768,000	4,903,000	5,534,000
GROSS PROFIT	908,000	679,000	2,768,000	2,028,000
PERATING EXPENSES				
Administrative	287,000	471,000	918,000	1,061,000
Selling	478,000	271,000	1,375,000	849,000
Research and Development	103,000	142,000	292,000	439,000
Transition Cost	0	135,000	0	602,000
Total Operating Expenses	868,000	1,019,000	2,585,000	2,951,000
PERATING INCOME (LOSS)	40,000	(340,000)	183,000	(923,000)
THER INCOME (EXPENSE)				
Net Interest Income	2,000	25,000	30,000	85,000
Net Other Income (Expense)	1,000	(1,000)	(33,000)	(15,000)
NCOME (LOSS) BEFORE INCOME TAX	43,000	(316,000)	180,000	(853,000)
NCOME TAX PROVISION (CREDIT)	14,000	126,000	59,000	302,000
ET INCOME (LOSS)	$29,000	($190,000)	$121,000	($551,000)
ARNINGS (LOSS) PER COMMON SHARE	$0.02	($0.13)	$0.08	($0.38)
eighted Average Number of Shares Outstanding	1,454,271	1,454,271	1,454,271	1,449,427

See Note to Financial Statements

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (continued)

WATERS INSTRUMENTS, INC.

Statement of Cash Flows

(Unaudited)

	For the Nine Months Ended March 31, 1992	For the Nine Months Ended March 31, 1991
CASH FLOWS FROM OPERATIONS		
Cash received from customers	$7,549,000	$7,852,000
Interest received	50,000	99,000
Cash provided from operations	7,599,000	7,951,000
Cash paid to suppliers and employees	8,614,000	7,181,000
Cash paid for transition costs	14,000	537,000
Interest and Taxes paid (refunded)	20,000	14,000
Cash disbursed from operations	8,648,000	7,732,000
Net cash from (used for) operations	(1,049,000)	219,000
CASH FLOWS FROM INVESTING		
Net aquisition of fixed assets	(201,000)	(182,000)
(Increase) decrease in other assets	19,000	
Net cash from (used for) investing	(182,000)	(182,000)
CASH FLOWS FROM FINANCING		
Reduction of Long-Term Debt	(46,000)	(257,000)
Sale of Common Stock		20,000
Net cash used for financing	(46,000)	(237,000)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,277,000)	(200,000)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1,877,000	1,984,000
CASH AND CASH EQUIVALENTS - END OF PERIOD	$600,000	$1,784,000

(Continued)

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (continued)

WATERS INSTRUMENTS, INC.

Statement of Cash Flows (Continued)

(Unaudited)

	For the Nine Months Ended March 31, 1992	1991
Reconciliation of net income (loss) to net cash from (used for) operations:		
Net income (loss)	121	(551)
Depreciation and amortization	168	117
Provision for losses on accounts receivable	(10)	(8)
Changes in assets and liabilities:		
Accounts receivable	(122)	290
Inventories	(781)	509
Refundable income taxes	21	(183)
Prepaid expenses	(30)	101
Other assets	16	27
Accounts payable and accrued expenses	(432)	20
Deferred income taxes		(103)
Net cash from (used for) operations	(1,049)	219

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (continued)

WATERS INSTRUMENTS, INC.

Note to Financial Statements

The financial information included herein is unaudited. In addition the financial information does not include all disclosures required under generally accepted accounting principles because disclosures included in the Company's annual report have been omitted; however, such financial information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the results of the interim periods.

The marketable securities included as cash equivalents on the balance sheet and cash flow statements meet the definition of cash equivalents set forth in paragraph 8 and 9 of SFAS95.

Certain prior year balances have been reclassified to agree with the current year presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales for the quarter ended March 31, 1992 were up 4.6% from the comparable period of the prior year. Year-to-date net sales for the nine month period ended March 31, 1992 were up 1.4% from the comparable period of the prior year. Third quarter and year-to-date net sales of the Company's branded products in the Farm and Medical areas continue to outperform the prior year by 14.0% and 13.1%, respectively. The sales increases in the Company's branded products are a direct result of a marketing program that was initiated in May of 1991. The Company's unbranded Electrical Products group continues the steep decline as reported in the first two quarters. Sales of the Electrical Products group decreased 26.8% and 33.6% when compared to the prior year for the quarter and nine months ended March 31, 1992, respectively.

The gross profit percentage for the quarter and nine months ended March 31, 1992 was 35.5% and 36.1%, respectively. The prior year gross profit percentages for the quarter and nine month period were 27.7% and 26.8%, respectively. The gross profit percentage increase is primarily attributed to the above mentioned sales increases of the more profitable branded products and to the elimination of inventory write-offs and increases in product warranty reserves that occurred during both the third quarter and nine month period of the prior year.

PART I

FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Operating expenses for the third quarter totalled $868,000, down from the prior year amount of $1,019,000. Year-to-date operating expenses for the nine months ended March 31, 1992 totalled $2,585,000, down 12.4% from the prior year amount of $2,951,000. The operating expense reduction is primarily related to the elimination of the transition cost that occurred in the prior year, which was partially offset by increased selling expenses associated with a marketing program that was initiated in May of 1991.

Net income for the quarter and nine month period ended March 31, 1992 was $29,000 and $121,000, respectively. The improvement in net income performance was a result of the elimination of the inventory write-offs, product warranty reserve increases, and transition costs that occurred in the prior year.

Liquidity and Capital Requirements

The Company's working capital position at March 31, 1992 remains strong at $2,937,000, up 2.5% from the $2,864,000 amount at June 30, 1991. The increased inventory level in the Farm Products area is seasonal in nature and is in anticipation of strong fourth quarter sales. On April 23, 1992, the Company's Board of Directors approved its first quarterly cash dividend payment, payable May 25, 1992, to shareholders of record on May 11, 1992. The Company anticipates paying a cash dividend on a quarterly basis.

The Company believes that existing liquid assets and cash from operations will be sufficient to satisfy the Company's foreseeable working capital and capital expenditure requirements.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(A) Exhibits - None

(B) No report on Form 8-K has been filed during the last quarter of the period covered by this report.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WATERS INSTRUMENTS, INC.

By ______________________
Robert J. Pitel, President &
Chief Executive Officer

By ______________________
Darryl H. Wicklund
Vice President of Finance &
Chief Financial Officer

May 14, 1992

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Manually Signed
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended March 31, 1992

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

RECD S.E.C. MAY 15 1992 101

For the transition period from   to

Commission file number: 0-18849

Wisconsin Pharmacal Company, Inc.
(Exact name of registrant as specified in its charter)

Wisconsin	39-1144397
(State of Incorporation)	(IRS Employer Identification Number)
N168 W22223 Main Street, Jackson, WI	53037
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414)677-4121

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at April 30, 1992
Common Stock $.01 par value	3,522,201

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FORM 10-Q

WISCONSIN PHARMACAL COMPANY, INC.

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WISCONSIN PHARMACAL COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 1992	September 30, 1991	March 31, 1991
ASSETS			
Current Assets:			
Cash and cash equivalents...	$ 48,748	$ 1,546,508	$ 1,083,000
Trade accounts receivable...	3,386,005	707,713	2,371,000
Inventories..................	2,844,392	1,681,554	2,246,000
Prepaid expenses and other current assets............	300,537	289,015	83,000
Total Current Assets...	6,579,682	4,224,790	5,783,000
Prepaid royalties.............	2,215,600	2,215,600	2,216,000
Other assets..................	276,128	277,461	298,000
Patent, net of accumulated amortization of $7,000......	855,000	--	--
Equipment and leasehold improvements................	2,884,560	2,591,026	1,812,000
Less accumulated depreciation & amortization.............	(1,198,279)	(1,083,671)	(975,000
	1,686,281	1,507,355	837,000
	$11,612,691	$ 8,225,206	$ 9,134,000
	============	=============	============
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes payable..............	$ 1,750,000	$ 25,000	$ 75,000
Trade accounts payable.....	2,345,555	460,464	1,724,000
Accrual for patent lawsuit and related costs.........	218,702	2,000,000	--
Accrued expenses and other current liabilities......	302,646	336,507	270,000
Current portion of long-term debt...........	57,400	51,097	584,000
Total Current Liabilities..	4,674,303	2,873,068	2,653,000
Long-term debt...............	93,719	612,354	374,000
Minority interest............	--	29,891	--
Redeemable Common Stock (135,000 shares outstanding, redemption value of $11.00 per share).	1,485,000	--	--
Stockholders' Equity:			
Common Stock...............	35,223	32,781	33,000
Paid-in-capital............	7,873,790	7,162,022	7,162,000
Accumulated deficit........	(2,549,344)	(2,484,910)	(1,088,000
Total Stockholders' Equity...	5,359,669	4,709,893	6,107,000
	$ 11,612,691	$ 8,225,206	$ 9,134,000
	=============	=============	============

See notes to unaudited condensed consolidated financial statements.

WISCONSIN PHARMACAL COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Revenues		
Product Sales	$ 4,237,175	$ 3,463,000
Royalties	--	75,000
	4,237,175	3,538,000
Cost of products sold	2,393,664	2,018,000
	1,843,511	1,520,000
Expenses:		
Selling	1,273,391	798,000
General and administrative	371,554	264,000
Research and new product development	348,618	217,000
Patent lawsuit provision reversal	(687,458)	--
	1,306,105	1,279,000
Operating Income	537,406	241,000
Non-Operating Income (Expense):		
Interest Income	530	44,000
Interest Expense	(49,091)	(35,000)
Other	(7,591)	(8,000)
	(56,152)	1,000
Income Before Minority Interest	481,254	242,000
Minority Interest	(88,278)	(95,000)
Net Income	$ 392,976	$ 147,000
Net Income Per Common and Common Equivalent share	$ .10	$ 0.04
Weighted Average Number of Common and Common Equivalent Shares Outstanding.	3,857,339	3,284,000

See notes to unaudited condensed consolidated financial statements.

WISCONSIN PHARMACAL COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended March 31 1992	Six Months Ended March 31 1991
Revenues		
Product Sales	$ 5,169,750	$ 4,642,000
Royalties	75,000	150,000
	5,244,750	4,792,000
Cost of products sold	2,895,751	2,670,000
	2,348,999	2,122,000
Expenses:		
Selling	1,624,391	1,187,000
General and administrative	698,663	578,000
Research and new product development	539,528	312,000
Patent lawsuit provision reversal	(687,458)	--
	2,175,124	2,077,000
Operating Income	173,875	45,000
Non-Operating Income (Expense):		
Interest Income	13,668	126,000
Interest Expense	(75,017)	(73,000)
Other	(16,160)	(15,000)
	(77,509)	38,000
Income Before Minority Interest	96,366	83,000
Minority Interest	(160,801)	(166,000)
Net Loss	$ (64,435)	$ (83,000)
Net Loss Per Common and Common Equivalent share	$ (.02)	$ (0.03)
Weighted Average Number of Common and Common Equivalent Shares Outstanding	3,402,912	3,278,000

See notes to unaudited condensed consolidated financial statements.

WISCONSIN PHARMACAL COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31 1992	 1991
Operating Activities:		
Net loss	$ (64,435)	$ (83,000)
Adjustments to reconcile net loss to net cash used by operating activities:		
Minority interest in earnings of joint venture	160,801	166,000
Depreciation and amortization	122,941	69,000
Patent lawsuit provision reversal	(687,458)	--
Payment of prepaid royalties	--	(1,215,000)
Changes in operating assets and liabilities	(2,271,562)	(1,709,000)
Net Cash Used by Operating Activities	(2,739,713)	(2,772,000)
Investing Activities:		
Acquisition of assets	--	(25,000)
Purchases of equipment and leasehold improvements	(279,371)	(123,000)
Distribution to joint venture partner	(190,692)	(166,000)
Net Cash Used by Investing Activities	(470,063)	(314,000)
Financing Activities:		
Increase in notes payable to bank	1,750,000	--
Costs of initial public offering	--	(203,000)
Payments of long-term debt and capital lease obligations	(26,495)	(199,000)
Issuance of Common Stock	13,511	--
Payment of notes payable	(25,000)	--
Net Cash Provided (Used) by Financing Activities	1,712,016	(402,000)
Decrease in Cash and Cash Equivalents	(1,497,760)	(3,488,000)
Cash and Cash Equivalents at Beginning of Period	1,546,508	4,571,000
Cash and Cash Equivalents at End of Period	$ 48,748	$ 1,083,000
Non cash transactions:		
Redeemable Common Stock isued in settlement of patent lawsuit and for acquisition of related patent	$ 1,685,700	$ --
Long-term debt cancelled as consideration for exercise of common stock under option	500,000	--

WISCONSIN PHARMACAL COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(Unaudited)

	Six Months Ended March 31 1992	Six Months Ended March 31 1991
Non-Cash Transactions (continued):		
Patent acquired in exchange for Common Stock	$ 862,000	$ --
Capital lease obligations incurred for equipment	14,163	18,000
Notes payable incurred in acquisition of assets	--	75,000

See notes to unaudited condensed consolidated financial statement.

WISCONSIN PHARMACAL COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

NOTE A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have bee prepared in accordance with generally accepted accounting principles for interi financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consistin of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the first six months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 1991.

NOTE B - Income (Loss) Per Common and Common Equivalent Share

Income (loss) per Common and Common Equivalent share is based on the weighted average number of shares of Common Stock and common stock equivalents, if dilutive, outstanding during the period.

NOTE C - Inventories

The components of inventory consist of the following:

	March 31, 1992	September 30, 1991	March 31, 1991
Raw materials and packaging..	$ 1,606,427	$ 922,025	$ 1,182,000
Work-in-process.............	85,691	23,908	69,000
Finished Goods..............	1,152,274	735,621	995,000
	$ 2,844,392	$ 1,681,554	$ 2,246,000

NOTE D - Stockholders' Equity

On September 30, 1991 options to purchase 6,000 shares of Company Common Stock at $7.50 per share (the market value at the date of grant) were granted to each of the two non-employee board of director nominees. For each of these directors, options to purchase 3,000 shares of Company Common Stock became exercisable on March 31, 1992, 1,500 options become exercisable on March 31, 1993 and 1,500 options become exercisable on March 31, 1994.

On November 1, 1991 and January 8, 1992 the Company granted options under the 1990 Stock Option Plan to purchase 35,600 and 5,000 shares of Company Common Stock at $7.75 and $16.00 per share, respectively (the market value at the date of grant) to 23 and one key employees, respectively.

On December 13, 1991 options to acquire 105,263 shares of Common Stock at $4.75 per share were exercised and Common Stock issued in connection with the April 6 1991 Management Services Agreement. The option holder cancelled the outstandin $500,000 note payable due them which was scheduled to mature in June 1996 as payment for the aggregate exercise price of the options. Additional options (194,737) available under the Management Services Agreement remain unexercised at March 31, 1992. In addition, in the second quarter of fiscal 1992 3,860 shares of Common Stock were issued upon exercise of Common Stock options at an average exercise price of $3.50 per share.

At May 11, 1992 the Company has reserved a total of 571,877 shares of Common Stock for the exercise of options and warrants outstanding.

NOTE E - Income Taxes

There is no tax provision provided for the six month periods ending March 31, 1992 and 1991 because the Company is in a net operating loss carry forward position.

NOTE F - Patent Asset, Lawsuit and Redeemable Common Stock

On January 11, 1992 the Company entered into a settlement and assignment agreement (the Agreement) with the plaintiff concerning the outstanding patent infringement suit which affected sales of the Company's "Baitmate Max" chemical fish attractant product. Under the Agreement the plaintiff dismissed the lawsuit and claims against the Company and the Company received an assignment o the related patent (subject to a license which would allow the plaintiff the opportunity to continue to sell their related products) in exchange for the issuance of 135,000 shares of the Company's Common Stock. The Company also agreed to use its best efforts to register the shares for sale to the public an also guaranteed that it would buy back any shares at $11.00 per share if so requested, within 120 days after the date the shares have been registered. The Common Stock, with a fair value of $12.80 per share ($1,728,000), less estimate costs to register the shares ($42,300), or $1,685,700 has been recorded as an increase in stockholders' equity ($200,700) and Redeemable Common Stock ($1,485,000). Upon expiration of the Company's obligation to repurchase the shares, the $1,485,000 will be reclassified to stockholders' equity. The Company filed a registration statement with the Securities and Exchange Commission on April 16, 1992 to initiate registration of these shares.

NOTE F - Patent Asset, Lawsuit and Redeemable Common Stock-Continued

The fair value of the Common Stock issued in January 1992 ($1,728,000) plus costs incurred in connection with the lawsuit ($446,542) were less than the patent acquired ($862,000) and the previous provision recorded in connection with the lawsuit ($2,000,000) by $687,458, which amount has been reflected as a income in January 1992.

NOTE G - Reality License Agreement

On February 12, 1992, the licensor of Reality notified the Company that it deemed the $1,215,600 in minimum royalty payments made by the Company in fiscal 1991 to be made to retain exclusive rights to manufacture and market Reality in the United States of America (USA) and in Canada rather than as prepaid royalties. On April 9, 1992, the Company and the licensor agreed that the fiscal 1991 payments are prepaid royalties; provided, however, that the parties also agreed that any future shortfall (i.e., the excess of the minimum royalty payments over actual royalty payments) under the USA and Canada Reality license agreements would be treated as exclusivity payments and not as prepaid royaltie and that the parties would also revise the royalty schedule under the U.S. Agreement to provide that the royalty on the first 12,500,000 units of Reality sold will equal the greater of (1) $.19 or (2) 15.8% of the net sales price, an the royalty schedule under the Canada Agreement to provide that the royalty on the first 12,500,000 units of Reality sold will equal the greater of (1) $.13 (Canadian) or (2) 10.875% of the net sales price.

Also on April 9, 1992, the Company entered into a license agreement for Reality covering Mexico and agreed to enter into a license agreement for Argentina. Concurrently, the Company gave up its option rights to enter into an agreement for South Korea.

The license agreement for Mexico ("Mexico Agreement") provides for a 20-year term which can be renewed for an additional 25-year term. During the 24 months following "Post-FDA Date" (date which is 9 months after the date the FDA grants approval for marketing Reality in the USA), the Company will pay the licensor a royalty equal to the greater of 9.2% of the net sales of Reality in Mexico or $.11 per unit, and 9.2% of the net sales thereafter.

For the license under the Mexico Agreement to remain exclusive, the Company mus notify the licensor on or before March 31, 1993 that it wants to continue its license on an exclusive basis, and fulfill the following obligations (noncompliance with any of the following except item 2 may result in terminatio of the Mexico Agreement):

NOTE G - Reality License Agreement - Continued

1. Pay $350,000 in minimum royalties on or before November 30, 1993.

2. Pay to the licensor additional gross royalties of at least $400,000 during the 12-month period preceding the "Mexico Royalty Date" (the first to occur of (a) the later of (i) one year after the Post-FDA Date or (ii) November 30, 1993; or (b) November 30, 1994) and $400,000 (adjusted for inflation) for each subsequent 12-month period thereafter, each in addition to the $350,000 notes above.

3. Spend a minimum amount on the development of medical endorsements and other marketing and promotion of Reality of $450,000 during the period up to and including the first year following the Post-FDA Date and a cummulative amoun of $750,000 in the period up to and including the second year following the Post-FDA Date. Such expenditures must be a least 20% of net Reality sales i Mexico for each year thereafter.

4. Following the Post-FDA Date, order from the licensor 750,000 packaged units of Reality as soon as practicable and, within 10 months after the Post-FDA Date, ship 1,400,000 packaged units.

The Mexico Agreement will become nonexclusive if the Company does not meet the requirements of item 2 above. The Company may also elect to retain its license on a nonexclusive basis for the remaining term of the Mexico Agreement if it delivers a notice to the licensor on or before March 31, 1993 or during the 30-day period prior to (a) the commencement of the second 12 months following the Post-FDA Date or (b) each subsequent 12-month period. If the Company elects to retain its license on a nonexclusive basis, or if the license otherwise becomes nonexclusive, the Company's obligations under items 1, 2 and 3 above are eliminated.

As part of the Mexico Agreement, the Company has the exclusive right until December 31, 1992, and the nonexclusive right thereafter, to apply for and agrees to apply for approval of the equivalent in Mexico of the FDA in the USA (referred to as the "MFDA"). If such application to the MFDA has not been made on or before December 31, 1992, the licensor has the right to (a) grant another person or entity the right to make, or itself make, such an application, and (b) to terminate the Mexico Agreement.

NOTE H - Building Lease

On May 1, 1992 the Company entered into a new commercial building lease coverin its office and manufacturing facility in Jackson, Wisconsin. The previous leas covering these facilities was cancelled upon the completion of the construction of approximately 30,000 square feet of additional warehouse space by the landlord. The landlord includes an officer/stockholder of the Company and a third party. The new lease provides for a term of fifteen years (expiring February 2007) with initial annual rentals of $301,260 which are payable monthly. Annual rentals are adjusted July 1, 1993 and every third year thereafter for any increase in the cost-of-living as measured by the Consumer Price Index. The new lease provides for a purchase option similar to that of the previous lease.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net product sales for the three and six month periods ended March 31, 1992 and 1991 were as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	1992	1991	1992	1991
Repel	$1,925,528	$1,387,155	$1,954,693	$1,649,987
Baitmate	1,413,637	1,013,394	1,737,072	1,271,133
Chlorazene	414,319	480,429	775,974	810,568
Potable Aqua	177,921	260,534	315,672	481,992
Private Label & Other	5,840	100,588	36,670	140,706
Sting-Eze	173,807	123,973	180,685	136,331
SunDown	109,235	58,509	152,096	58,509
Disposer Care	16,888	38,080	16,888	92,436
Net Product Sales	$4,237,175	$3,462,662	$5,169,750	$4,641,662

Components of changes in Repel and Baitmate net product sales were as follows for the periods indicated.

	Three Month Ended March 31, 1992 vs March 31, 1991			Six Months Ended March 31, 1992 vs March 31, 1991		
	Volume	Price	Total	Volume	Price	Total
			(in millions)			
Repel						
Two largest customers	$ .7	-	$ .7	$ .5	-	$ .5
Others	(.2)		(.2)	(.2)		(.2
Total	$ .5	-	$ .5	$ .3	-	$ .3
Baitmate						
Two largest customers	$ .1	-	$ .1	$ (.1)	-	$ (.1
Others	.3	-	.3	.5	-	.5
Total	$ .4	-	$ .4	$ .4	-	$ .4

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Three Months Ended March 31, 1992 Compared to Three Months Ended March 31, 1991

1992 results include a $687,458 credit to income related to the reduction of th $2,000,000 provision recorded at September 30, 1991 in connection with the Baitmate Max patent infringement lawsuit which was settled on January 11, 1992.

Net product sales increased $774,513 or 22.4% in 1992 compared to 1991. Repel sales increased $538,373. Repel sales to one of the Company's largest customer increased $.7 million as a result of product volume increases with this custome (including $.6 million due to increased volume on existing products and $.1 million from this customer carrying new products). The $.2 million reduction i Repel sales volume with "other" customers is generally believed to be due to th variability in timing of orders by customers for this seasonal product.

Baitmate sales increased $.4 million for the quarter as a result of increased product sales volume. Same product sales were down $.2 million and flat to the Company's two largest customers and others, respectively. The $.2 million decrease was primarily the result of lower opening season orders with one of th Company's two largest customers. Sales of the Company's new Baitmate Ultimate Baits product (which were first shipped to the trade in this quarter) aggregate $.5 million for the quarter.

Private label sales revenues are not normally comparable between quarters as revenues relate to specific projects which generally vary throughout the year.

SunDown sales were lower in 1991 because the Company first introduced SunDown i February 1991.

Gross margin as a percent of net product sales was comparable at 43.5% in 1992 compared to 43.9% in 1991.

Selling expense increased to 30.0% of net product sales compared to 23.0% in 1991 as a result of selling and marketing costs related to introducing the new Baitmate Ultimate Bait product, expanded co-op advertising programs with major accounts, participation in the National Parks advertising program this year and the addition of new sales personnel, as follows:

	% of Net Product Sales for Three Months Ended March 31, 1992
• Baitmate Ultimate Baits sales and marketing	3.1%
• Expanded co-op advertising	3.0%
• National parks advertising program	1.0%
• Increase in sales and marketing personnel	.4%
• Other - net	(.5)
	7.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

General and administrative expenses increased by $107,554 compared to 1991. Legal expense increased approximately $48,000. This increase was attributed to the Company's on-going action against Colgate-Palmolive ($36,000), regulatory items ($9,000) and other ($3,000). Approximately $36,000 of the increase in general and administrative expenses resulted from additional personnel and $24,000 resulted from increased costs related to shareholder relations, primarily as a result of increased interest in the Company by the investment community.

Research and new product development expense increased by $131,618 to $348,618 in 1992 compared to $217,000 in 1991. Research and development expense decreased approximately $117,000 in 1992 as 1991 results included costs incurre in connection with clinical studies on Reality for inclusion in the PMA (Pre-Marketing Approval) application to the United States Food and Drug Administration (FDA) which was made in October 1991. New product development expense increased by approximately $149,000 in 1992 primarily as a result of th Company's October 1991 PMA submission and the January 31, 1992 FDA Advisory Panel review of the PMA for Reality. In addition, the Company incurred approximately $100,000 in 1992 in connection with the development of its new Baitmate Ultimate Bait product.

Net interest expense increased to $49,000 compared to net interest income of $9,000 in the prior year quarter. Remaining proceeds from the Company's July 1990 public offering of common stock (which were invested in short-term investments in 1991) have been used in 1992, along with advances on the Company's working capital line of credit, to fund business growth.

Six Months Ended March 31, 1992 Compared to Six Months Ended March 31, 1991

1992 results include a $687,458 credit to income related to the reduction of th $2,000,000 provision recorded at September 30, 1991 in connection with the Baitmate Max patent infringement lawsuit which was settled on January 11, 1992.

Net product sales increased $528,088 or 11.4% in 1992 compared to 1991. Repel sales increased $304,706. This increase was a result of volume increases totaling $.5 million (of which 85% was due to increased volume on same product sales) with one of the Company's largest customers. The decrease in sales of Repel to "other" customers totaled approximately $.2 million and was generally due to lower sales volume. Management believes that this decrease is due to th timing of purchases of this seasonal product.

Baitmate sales increased $.4 million in 1992 compared to 1991. Same product sales were down $.1 million compared to the prior year. Decreases in same product sales to the Company's two largest customers of $.3 million were partially offset by increases with the Company's "other" customers of $.2 million. The decrease in Baitmate sales to the Company's two largest customers is generally due to higher, opening order sales on new product introductions in the prior year ($.1 million) and lower sales at one of the Company's largest customers, which the Company believes is due to inventory control changes at that customer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

New product sales increased $.5 million as a direct result of the introduction of the new Baitmate Ultimate Baits product category, including approximately $. million to one of the Company's largest customers with the remaining $.3 millio due to sales to the Company's "other" customers.

Potable Aqua sales decreased $166,320 or 34.5% compared to the prior year. Approximately $76,000 of this decrease is due to lower sales to one distributor who lost a major national chain store account in 1992.

Private label and other sales decreased $104,036 compared to the prior year. Approximately $87,000 of this decrease relates to a seasonal order which was shipped in March 1991 and which is not expected to be shipped until May 1992. Additionally, sales were lower is 1992 as a result of a $60,000 sale to one customer in 1991 which will not repeat in 1992. The remaining $43,000 increase in private label product sales is not deemed significant.

SunDown product sales increased $93,587 compared to the prior year. The SunDown products were first introduced by the Company in February 1991 and as a result, 1991 sales include less than six months of activity.

Disposer Care sales decreased $75,548 compared to the prior year as the Company's exlusive distributor of this product discontinued marketing this product in the first quarter of 1991. The Company is in the process of determining its course of action for future sales and marketing arrangements on this product. Royalties also decreased $75,000 in 1992 compared to 1991. Royalties are directly related to this product. See Legal Proceedings for a discussion of the Company's action against the exclusive distributor of this product.

Gross margins were comparable between 1992 and 1991 at 45.4% and 45.7%, respectively of net product sales. Differences between periods generally related to changing product sales mix.

Selling expense increased to 31.4% of net product sales compared to 25.6% in 1991 as a result of selling and marketing costs related to introducing the new Baitmate Ultimate Bait product, expanded co-op advertising programs with major accounts, participation in the National Parks advertising program in 1992 and the addition of new sales personnel as follows:

	% of Net Product Sales for Six Months Ended March 31, 1992
• Baitmate Ultimate Baits sales and marketing..............	1.8%
• Expanded co-op advertising..........	1.9%
• National Parks advertising program........................	1.0%
• Increase in sales and marketing personnel........................	.7%
• Other - net.........................	.4%
	5.8%
	====

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

General and administrative expenses increased by $120,663 or 20.9% compared to 1991. This increase is attributed to increased personnel costs of $75,000 (of which $63,000 relates to new personnel), increased shareholder relations expenses of $24,000 (primarily as a result of increased interest in the Company by the investment community) reduced legal expenses of $6,000 (including a $70,000 reduction in legal expenses related to the Baitmate Max patent infringement lawsuit, a $44,000 increase in legal expenses related to the Colgate-Palmolive litigation, a $11,000 increase in legal expense regarding regulatory matters and a $9,000 other increase), a $19,000 increase in depreciation as a result of the 1991 leasehold improvement program which was completed in the first quarter of 1992 and approximately a $9,000 increase in other expenses.

Research and new product development expense increased by $227,528 to $539,528 in 1992 compared to $312,000 in 1991. Research and development expense decreased by approximately $89,000 in 1992 compared to 1991 as 1991 results included costs incurred in connection with clinical studies on Reality for inclusion in the PMA. New product development expense increased by approximately $317,000 in 1992. Approximately $217,000 of this increase is the result of costs incurred in connection with the October 1991 PMA submission and the January 31, 1992 FDA Advisory Panel review of the PMA for Reality. In addition, approximately $100,000 of the 1992 increase resulted from development costs incurred in connection with the new Baitmate Ultimate Bait product.

Net interest expense increased to $61,349 compared to net interest income of $53,000 in the prior year. Remaining proceeds from the Company's July 1990 public offering of common stock (which were invested in short-term investments in 1991) has been used in 1992, along with advances on the Company's working capital line of credit, to fund business growth.

FINANCIAL CONDITION

The Company continues to build inventory as it enters the third fiscal quarter which has traditionally been its peak quarter for sales of its seasonal products. The Company's backlog of unfilled orders was $1,151,064 at May 8, 1992 compared to $1,103,375 as of May 8, 1991. Trade receivables increased by $1,015,005 at March 31, 1992 compared to March 31, 1991. This increase is due to higher overall sales for the quarter and the timing of the sales within the quarter. The percentage of trade receivables with "dating" or extended season terms was 24.5% at March 31, 1992 compared to 41.6% at March 31, 1991.

Prepaid expenses were comparable between March 31, 1992 and September 30, 1991. Prepaid expenses were higher at March 31, 1992 compared to March 31, 1991 by $217,537. This increase is the result of additional and more extensive product brochures, up-front payments relating to the second half installment of the new seasonal advertising program in 1992 with The American Park Network System and costs relating to securing the Company's working capital credit facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Patent asset increased by $862,000 as a result of the acquisition of the patent on the chemical fish attractant in January 1992, less $7,000 of amortization.

Capital expenditures in 1992 were $293,534 compared to $141,000 in the corresponding period in the prior year. Current year capital expenditures include approximately $122,000 related to the completion of the Company's leasehold improvement program which was begun in 1991, $52,000 for equipment related to the new Baitmate Ultimate Baits and $16,000 for new computer equipment to directly communicate with one of the Company's largest customers. The Company also purchased new product registrations totaling $30,000 which wil allow it to sell new formulations of its Repel Insect Repellent.

The increase in notes and accounts payable from March 31, 1991 and September 30 1991 to March 31, 1992 is a result of the growth in inventories and receivable associated with increased product sales and due to seasonality of those sales, respectively.

Debt decreased by $512,332 from September 30, 1991 to March 31, 1992 primarily as a result of the cancellation of the $500,000 term note payable to a stockholder in consideration for payment of the exercise price on common stock options which were exercised in December 1991.

LIQUIDITY AND SOURCES OF CAPITAL

A significant portion of the Company's product sales are seasonal in nature wit 74% of fiscal 1991 revenues being recorded in the second and third quarters of that year. In addition, certain products carry extended pre-season "dating" terms in accordance with industry practice. As a result of these factors, the Company's working capital needs are generally the greatest in the second and third quarters of the fiscal year and then are reduced through the fiscal year end.

Prior to the Company's July 1990 initial public offering of common stock (the "IPO"), the Company's main sources of capital to fund obligations under various licensing agreements were from operations, notes payable and preferred stock issued to the Company's major stockholders and from bank borrowings. Exclusive of royalty payments, product development and research and development costs incurred in connection with Reality and a diet-aid product, the Company had positive cash flow from operations of approximately $549,000 and $377,000 for fiscal years 1991 and 1990, respectively.

In July 1990, the Company netted approximately $6,600,000 from its IPO. A portion of the proceeds was utilized to pay off certain short-term stockholder debt originally incurred in connection with expenditures related to Reality and a diet-aid product. Short-term bank debt was paid off (including the payment o $250,000 as a prepayment penalty).

Further, in fiscal 1991 scheduled debt payments on notes due to stockholders ($537,800), prepaid royalty obligations ($1,215,600--see discussion below), research and development expenditures relating to Reality ($415,690) and paymen of approximately $203,000 of accrued IPO-related expenses were made. At March 31, 1992 the remainder of the IPO proceeds have been invested in the business t fund seasonal inventory and accounts receivable buildup.

The Company's $4,500,000 line-of-credit with a bank is available to provide working capital requirements. Availability of funds under the line of credit i based on a percent of qualifying receivables and is subject to compliance with various financial ratios and covenants. As of March 31, 1992 the Company had approximately $490,000 available under its bank revolving credit agreement. Th ability of the Company to repurchase Common Stock issued in connection with the patent acquisition and related patent infringement lawsuit is restricted by the bank.

The Company has elected to retain its exclusive rights to sell Reality in the United States and Canada and, as a result, made additional royalty payments of $1,000,000 (United States) and $215,600 (Canada) on March 31, 1991. The Compan has significant future cash requirements in connection with its obligations under the Reality License Agreements for the United States, Canada and Mexico.

Additional cash requirements under the License Agreements are partially dependent upon the date that the Company receives approval from regulatory authorities to sell Reality in the respective countries (see Note G to the unaudited condensed consolidated financial statements). Presently the Company does not know when Reality will receive such regulatory approvals; however, the Company hopes to obtain such approvals in the U.S. during 1992.

In order to retain the exclusivity of its licenses with respect to Reality, the Company will be obligated to make minimum royalty payments for the United State license aggregating an additional $2,625,000 prior to August 31, 1992 and $3,000,000 per year thereafter, and payments for the Canada license aggregating an additional $300,000 (Canadian) prior to August 31, 1992 and $300,000 (Canadian) per year thereafter. For the United States, the Company will be required to make marketing and promotional expenditures aggregating at least $3,000,000 (less approximately $1,010,000 already spent primarily on medical marketing and promotion) through the first year following FDA approval of Reality and an additional $7,000,000 during the second year following FDA approval. The Company will have royalty, promotional expenditure and shipment requirements for Mexico.

For Canada, the Company will be required to make medical, marketing and promotional expenditures aggregating at least $500,000 (Canadian) through the first year following Canadian approval of Reality and an additional $900,000 (Canadian) during the second year following Canadian approval. Under the Unitec States license agreement, the Company will also have to purchase and ship at least 10,000,000 units of Reality within 8 months after receiving FDA approval. Under the Canadian licensing agreement, the Company will have to purchase and ship at least 800,000 units of Reality within 8 months after receiving Canadian approval.

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LIQUIDITY AND SOURCES OF CAPITAL-Continued

The Company will have similar royalty, promotional expenditures and shipment requirements for Mexico.

In addition to those estimated minimum cash requirements above, the Company has maturities of long-term obligations of $51,000 in fiscal 1992, $33,000 in 1993, $25,000 in 1994, $27,000 in 1995 and $22,000 in 1996. The level of capital expenditures is expected to be approximately $450,000 in fiscal 1992.

As of March 31, 1992 the Company was not in compliance with its interest coverage ratio with the bank. The Company will be seeking a waiver of this default.

The Company believes that currently available cash and cash equivalents, bank borrowings under the $4,500,000 credit facility and cash flow from operations will be sufficient to meet the Company's working capital needs, maturing long-erm obligations and anticipated capital expenditures through July 31, 1992 (th late the line of credit with a bank expires). Depending on when final regulatory approvals for Reality are received, it is probable that the Company will need to seek additional sources of financing in 1992 to finance the royalt nd promotional expenditures discussed above and anticipated growth in nventories and receivables resulting from Reality. The Company is considering arious options to market Reality. These include direct marketing by the ompany and the appointment of a larger company as a corporate partner to marke he product. The Company is actively exploring these options and is holding iscussions with several potential partners. The capital required to market eality may vary significantly, depending on the option selected. If the ompany elects to market Reality directly, it will require substantial dditional capital. This could be sourced through an equity offering. However, here is no assurance that the Company would be successful in raising the ecessary capital. The Company may avoid additional minimum royalty payments nd marketing expenditure requirements by electing to market the product on a onexclusive basis.

MPACT OF INFLATION AND CHANGING PRICES

lthough the Company cannot accurately determine the precise effect of nflation, the Company has experienced increased costs of product, supplies, alaries and benefits, and increased general and administrative expenses. The ompany's obligations under the Reality license agreements are required to be djusted periodically for the effects of inflation. The Company attempts to ass on increased costs and expenses by increasing selling prices, when ossible, and by improved efficiencies of operations.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 24, 1991 the Company commenced legal action against Colgate-Palmolive Company and its subsidiary, Softsoap Enterprises Inc., as third party licensees of the Company's Disposer Care product. The complaint seeks damages for lost royalties under the license agreements and profits based upon a requirements purchase agreement which was part of the license. The licensee has paid a total of $1,500,000 in royalties to the Company. In December 1991, the Company received notice from the licensee of its intention to terminate the license agreement effective December 31, 1991 and transfer the marketing rights back to the Company.

The Company is not involved in any other material pending legal proceedings other than ordinary routine litigation incidental to its business.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a.) Exhibits - The following exhibits are included herein:

10.39 - Commercial building lease dated May 1, 1992

11-Statement Re: Computation of Earning (Loss) Per Share

b.) Reports on Form 8-K filed in the second quarter of fiscal 1992.

None.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WISCONSIN PHARMACAL COMPANY, INC.

DATE: May 13, 1992

John A. Wundrock, President
and Chief Executive Officer

Thomas J. Polnaszek, Vice President-
Finance and Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
4.1	Articles of Incorporation as amended*
4.2	Articles II, VII, and XI of the By-Laws of the Company*
10.36	Fourth Amendment to Revolving Credit Agreement dated February 24, 1992.**
10.37	1992 Amendment to License Agreement between Chartex International and the Company dated April 9, 1992.**
10.38	License Agreement for Mexico between the Company and Chartex International dated April 9, 1992.**
10.39	Commercial building lease dated May 1, 1992 covering the Jackson, Wisconsin office and manufacturing facility.
11	Statement Re: Computation of Earnings (Loss) Per Share.

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*Incorporated herein by reference to the Company's Registration Statement on Form S-18, Registration No. 33-35096, as filed with the Securities and Exchange Commission on May 25, 1990.

**Incorporated herein by reference to the Company's Registration Statement on Form S-1, Registration No. 33-47320, as filed with the Securities and Exchange Commission on April 16, 1992.

COMMERCIAL BUILDING LEASE

This Lease is made and entered into as of the 1st day of May, 1992, by and between John A. Wundrock and John C. Dowd (together, "Landlord") and Wisconsin Pharmacal Company, Inc., a Wisconsin corporation ("Tenant").

RECITALS

For and in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

AGREEMENTS

1. Prior Lease Superseded. This Lease terminates and supersedes the Commercial Building Lease dated August 1, 1989 by and between Landlord and Tenant.

2. Premises. Landlord leases to Tenant and Tenant accepts from Landlord the property described in Exhibit A attached hereto together with all improvements now or hereafter located on such property (the "Premises"); which term shall not include any part of the Premises taken in any manner for public or quasi-public use or purpose.

3. Term. The term of this Lease is fifteen years commencing as of the 1st day of May, 1992, and expiring at midnight on February 28, 2007, unless extended or sooner terminated as hereinafter provided (the "Lease Term"). The term "Lease Year" as used herein shall mean a period of 12 consecutive calendar months. Lease Years shall run consecutively, each commencing upon an anniversary of the commencement of the first Lease Year.

4. Rent. Tenant shall pay to Landlord rent for the Premises as follows:

(a) Manner of Payment. All rent shall be paid in equal monthly installments in advance on the first day of each and every month at the office of Landlord, or at such other place as Landlord may designate in writing.

(b) Amount of Rent; Security Deposit; Late Payment.

(i) In the first year of the Lease Term, Tenant shall pay Landlord the annual rent of $301,260 payable in equal monthly installments of $25,105. This rental shall be adjusted on July 1, 1993 and on every July 1st of every third year (1996, 1999, 2002, 2005, etc.) during the Lease Term or any extension thereof to reflect any increase in the cost of living from July 1, 1990 as hereinafter provided. The annual rent shall be increased by a percentage which equals the percentage by which the Consumer Price Index entitled "Consumer Price Index, United States City Average for All Urban

Consumers, for All Items (1982-84 = 100)" published by the Bureau of Labor Statistics of the United States Department of Labor, increases during the previous 36 months. In the event the Bureau of Labor statistics ceases publishing the Consumer Price Index, or materially changes the method of its computation, Landlord and Tenant shall negotiate in good faith the selection of a comparable index upon the purchasing power of the consumer dollar, as published by a responsible financial periodical or recognized authority at the time of such discontinuation or change. The addition or deletion of individual items in the publication of the Consumer Price Index shall not be deemed to be a material change in its method of computation for purposes of this paragraph.

(ii) If any monthly lease payment is received by Landlord more than 15 days after its due date, a late payment charge equal to 5% of the monthly lease payment shall be added to the payment.

5. Holding Over and Extension. In the event Tenant shall continue to occupy the Premises after the expiration of the Lease Term, such holding over shall be deemed to constitute a tenancy from month to month, upon the same terms and conditions as herein provided, and in no event shall the tenancy be deemed to be from year to year. Landlord may, at his option, extend the term of this Lease for a period equal to the period of any rental cessation pursuant to Paragraph 14 of this Lease but in no event shall such extension exceed six months. At the end of the initial term or any renewal term, Tenant may, at its option, extend the term of the Lease for another five-year term by giving notice in writing to Landlord at least six months prior to the expiration of the Lease Term. Without limiting the foregoing rights of Tenant, if Landlord seeks, at any time during Tenant's occupancy of the Premises, to lease the Premises to a third party, Landlord shall give Tenant written notice stating the terms of the lease and the identity of the prospective tenant and Tenant shall then have an option, exercisable in writing within 30 days of receipt of the foregoing notice, to enter into a lease for the Premises on terms no less favorable then those stated in the notice.

6. Net Lease. It is the purpose and intent of Landlord and Tenant that the rent shall be absolutely net to Landlord; that is, that this Lease shall yield, net to Landlord, the rent specified in section 3 above. Except as expressly provided herein, all costs, expenses and obligations of every kind and nature relating to the Premises shall be paid by Tenant, or paid by Landlord and reimbursed by Tenant.

7. Certain Tenant Rights.

(a) Purchase Option. At any time after July 31, 1992, Tenant shall have the option to purchase the premises from Landlord at a cash price equal to the greater of (i) $1,600,000 plus [a] the cost of any additions subsequent to July 31, 1989 made by Landlord and [b] by 5% per annum after July 31, 1989; or (ii) the value of the premises as determined by an appraisal conducted by an appraiser

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satisfactory to both Landlord and Tenant at the time of Tenant's exercise of the option provided herein.

(b) First Refusal. If, at any time during this Lease Term or any renewal term, Landlord receives a bona fide third-party offer to purchase the Premises (the "Offer"), Landlord shall promptly notify Tenant of the price and terms of the Offer and the identity of the prospective purchaser. Tenant shall then have an option, exercisable by notice in writing to Landlord, to purchase the Premises for the same price and on the same or substantially equivalent economic terms as contained in the Offer.

8. Condition of Premises. Tenant has inspected the Premises and knows the condition thereof, and acknowledges that no warranties, express or implied, are made with respect thereto. By occupying the Premises as a tenant, Tenant shall be deemed to have accepted the same and to have acknowledged that the Premises are in the condition required by this Lease.

9. Insurance. Tenant shall procure and maintain during the Lease Term a policy or policies insuring against fire, loss, theft and extended coverage insurance on the Premises, insuring same for not less than 95% of the full replacement cost thereof. In the event of damage to the Premises, Tenant is required to use any proceeds of said insurance to replace all or any part of the Premises. Landlord may, at his option, also procure and maintain Rental Insurance during the Lease Term a loss of rent insurance policy commensurate with the rents recited herein. Tenant hereby agrees to pay to and reimburse Landlord in equal monthly installments or upon demand, as additional rent, the amount of the premiums for said rent insurance policy.

10. Utilities. Tenant shall be responsible for all water, heat, gas, electricity, air conditioning, refrigeration and power and any other utility services used by the Premises. Tenant shall pay any sewer charge or assessment which any municipality or public or private utility may levy for furnishing sewerage or similar services to the Premises.

11. Repairs and Maintenance. Tenant, at his own expense, shall maintain, replace and keep in good repair the Premises, in compliance with all applicable laws, statutes, municipal and zoning ordinances, and shall upon the expiration of the Lease Term deliver up the Premises in as good condition and repair as received, reasonable wear and tear excepted; it being understood that the obligation of Tenant to perform maintenance repairs and replacements to the Premises shall include, but not be limited to, the maintenance, repair and replacement of all plumbing fixtures and facilities, heating, ventilating, air conditioning and refrigeration systems, electrical fixtures, interior and exterior water, sewer and gas lines, replacement of all glass which may become broken or cracked during the Lease Term, parking and other exterior areas and driveways, painting and the repair of any damage caused to the foundation, walls, roof and other structural portions of the Premises. Tenant shall not be liable

for damage to the Premises caused by the negligence of Landlord, his employees or agents.

12. Landlord Not Liable for Damage. Landlord shall not be liable for any loss or damage to persons or to the property of Tenant or of his employees or invitees occasioned by or resulting from defects in electric wiring, plumbing, gas, water heating, sewer or other pipes, or radiator bursting, leaking, running or stoppage or overflow of any boiler, tank, washstand, tub, toilet or waste pipe in or upon the said Premises, nor for any damage occasioned by water, snow, ice or anything being upon or coming through the roof, walls or windows of the Premises, or by breakage of glass windows, doors or other lites, nor for damage arising from acts or neglect of occupants of adjacent or contiguous property.

13. Use of the Premises. Tenant agrees that he will use the Premises for proper business purposes in compliance with all applicable laws, ordinances and regulations of federal, state and local governments, and for no other purpose. No part of the Premises shall be occupied or used by any person for any purpose or in a manner so as to increase the insurance risk or prevent the obtaining of insurance, or so that, in accordance with any requirement of law or any public authority, Landlord shall be obliged to make any addition or alteration to or in the Premises.

14. Conduct of Business. Tenant agrees during the Lease Term to carry, maintain and pay for fire and extended coverage insurance on his inventory, fixtures and leasehold improvements, to the reasonable value thereof. Such insurance shall be written by insurance companies approved by Landlord and shall waive any subrogation rights against Landlord. Tenant shall not carry any stock of goods or do anything in or about the Premises which will in any way impair or invalidate the obligation of any policy of insurance relating to the Premises. Tenant agrees to pay upon demand, as additional rent, any increase in insurance premiums resulting from the business carried on in the Premises by Tenant, whether or not Landlord has consented to same. If Tenant installs any electrical equipment which overloads the electrical facilities, it shall, at its own expense, make whatever changes are necessary to comply with the requirements of the insurance underwriters and governmental authorities having jurisdiction.

15. Covenant to Hold Harmless and Public Liability Insurance. Tenant agrees to indemnify and save Landlord harmless from and against any and all claims, damages, costs and expenses, including reasonable attorneys' fees, arising from Tenant's use and occupancy of the Premises. It is further understood and agreed that Landlord shall not be liable, and Tenant waives all claims, for damage to person or property sustained by Tenant, his employees or agents resulting from condition of the Premises, or such as may result from any accident in or about the Premises. Tenant agrees to carry pay the premiums for public liability insurance, insuring himself and Landlord against injury to property, person or loss of life arising out of the use and

occupancy of the Premises, with limits of at least $100,000 property damage, $500,000 for any one person and $500,000 for any number of persons injured or killed in any one accident, and shall furnish to Landlord a certificate of said insurance. Such policies of insurance shall provide that they shall not be canceled, discontinued or altered without ten days' prior written notice to Landlord. Such policies of insurance shall consent to the waiver of subrogation hereinabove set forth.

16. Partial or Total Destruction of the Premises. If the Premises shall be damaged or partially destroyed by fire or the elements to the extent of less than one third of the cost of replacement thereof above foundation, the same shall be repaired as quickly as is practicable, by and at the expense of Landlord after the application of insurance proceeds. If such damage or partial destruction shall be of such character so as to require Tenant to discontinue occupancy therein, the rentals provided for herein shall abate from the date of such closing until the Premises are again ready for occupancy. However, if such damage or partial destruction, to the extent of less than one third of the cost of replacement thereof above foundation, shall occur in the fourteenth or fifteenth Lease Years, Landlord shall not be obligated to, but may, at its option, repair the Premises.

(a) In the event said Premises are totally destroyed by fire or the elements, which total destruction shall be construed to mean damage to an extent of more than one third of the cost of replacement thereof above foundation, rentals shall be paid up to the time of such destruction and Landlord may, at his option, (i) cancel this Lease and in such event shall be under no obligation or duty to rebuild or (ii) elect to restore the Premises.

(b) If Landlord shall undertake to restore or repair the Premises, he shall initiate and pursue the necessary work with all reasonable dispatch, in a manner consistent with sound construction methods, but he shall not be liable for any delays or interruptions occasioned by strikes, casualties, critical materials in short supply, governmental regulations or any other causes beyond his control. Following the restoration of the Premises or completion of repairs thereto, possession and occupancy of said Premises shall be tendered to Tenant and rental shall commence and accrue as of that date; whereupon this Lease shall continue unabated.

17. Subordination. At Landlord's option, this Lease shall be and is subordinated to any existing mortgages covering said Premises, any extension or renewal thereof, or to any new mortgages which may be placed thereon from time to time; provided every such mortgage shall recognize the validity of this Lease in the event of a foreclosure of Landlord's interest as long as Tenant shall not be in default under any of the terms of this Lease. Tenant shall execute whatever instruments may be required to effect such subordination.

18. Notices. Whenever in this Lease it shall be required or permitted that notice be given by either party to the other, such notice shall be sent by United States certified mail addressed as follows:

To Landlord: Mr. John A. Wundrock
6941 Shady Lane
West Bend, Wisconsin 53095

and

John C. Dowd, Esq.
Suite 1050
250 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4210

To Tenant: Wisconsin Pharmacal Company, Inc.
2977 Highway 60
Jackson, Wisconsin 53037
ATTENTION: Thomas J. Bonesho, Vice President

or to such other place as the parties may, from time to time, designate in writing.

19. Notice of Default. In any 12-month period during the term of this Lease, Tenant shall be entitled to notice of no more than two defaults (in payment of rent or otherwise), thereafter, Landlord's rights in the event of default shall be exercisable forthwith without the necessity of notice and allowance of a cure period.

20. Trade Fixtures. Tenant may install fixtures, equipment and appliances for the conduct of his business upon the Premises, but Landlord shall have no responsibility or liability whatsoever for any loss or damage to the fixtures, equipment or appliances so installed or left on the Premises. Tenant agrees not to create or suffer others to create any lien or obligation against the Premises or Landlord by reason of the authorized installation aforesaid, and further, to hold Landlord harmless of and from all claims and demands of third persons in any manner relating to such installation or to Tenant's occupancy of the Premises for such purpose. The fixtures, equipment and appliances may be affixed to the building and Tenant may remove the same at will and shall remove the same at the termination of this Lease upon Landlord's request; provided, however, that all damage thereby incurred to the Premises shall be repaired by and at the expense of Tenant. Any of Tenant's fixtures, equipment or appliances not removed by Tenant prior to the termination of the Lease Term shall become the property of Landlord, at Landlord's option or Landlord may have all or any portion thereof removed and charge Tenant for the cost of such removal and any repair occasioned thereby.

21. Warranty of Quiet Possession. Landlord hereby warrants and covenants that he has full authority to execute this Lease and further agrees that Tenant, on paying rent and performing the covenants and

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conditions of this Lease, may have and shall quietly have, hold and enjoy the Premises during the term hereof.

22. Default By Tenant and Rights of Landlord.

(a) If Tenant defaults in the timely payment of rent or any amounts due hereunder, and such default continues uncured for ten days after written notice thereof to Tenant by Landlord, Landlord may reenter the Premises, remove Tenant and all persons holding under it and terminate this Lease and repossess the Premises; provided, however, that such repossession shall not constitute a waiver by Landlord of any other rights which he might have to enforce collection of rent or other amounts due hereunder (including late payment charges) for the balance of the Lease Term or to recover damages from Tenant for such default.

(b) If Tenant defaults in the performance of any term or covenant of this Lease, other than the payment of amounts due hereunder as set forth in section 22(a) hereof, and such default continues uncured for 20 days after written notice thereof, (or in the event such default is of such a character as to require more than 20 days to cure, and Tenant fails to use diligence to cure such default), Landlord, at his option, may cure such default (and the cost and expense thereof shall be deemed to be additional rent to be paid by Tenant on the next monthly rental payment date), or Landlord may reenter the Premises, remove Tenant and all persons holding under him and terminate this Lease and repossess the Premises; provided, however, that such repossession shall not constitute a waiver by Landlord of any other rights which he might have to enforce collection of rent for the balance of the term or to recover damages from Tenant for any default.

(c) If Tenant shall vacate the Premises, or the Premises shall remain unoccupied for 60 days consecutively, or if Landlord shall obtain possession by summary proceedings for unlawful detainer on account of Tenant's failure to pay rent or repossess itself of its former estate in any manner whatsoever, after Tenant's default under the terms of this Lease, Landlord may, at his option, without terminating this Lease, enter the Premises and remove all articles found therein at Tenant's expense, and relet the Premises for the account of Tenant for such rent and upon such terms as Landlord shall approve; and, if a sufficient sum shall not thus be realized monthly (after paying the expenses of such reletting and of collecting the rent accruing from such reletting) to satisfy the rent as it becomes due to be paid by Tenant, plus Landlord's cost for remodeling such Premises for such reletting purposes, plus reasonable fees therefor, then Tenant will satisfy and pay such deficiency upon demand. The rights of Landlord hereunder shall be in addition to such rights as it might otherwise have pursuant to law, and shall be cumulative and Landlord shall not be deemed to have waived any breach or default, nor accepted any surrender of the Premises, nor to have prejudiced any rights under this Lease, or any action in reference to this Lease nor to have terminated, continued or extended this Lease by advertising the Premises as "vacant" or "to let" or maintaining the same, or submitting the same to the inspection of any person, or by receiving from Tenant any money or keys whatsoever.

23. Bankruptcy. Neither this Lease nor any interest herein nor any estate hereby created shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law. In the event the estate created hereby shall be taken in execution or by other process of law, or if Tenant shall be adjudicated insolvent or bankrupt pursuant to the provisions of any state or federal insolvency or bankruptcy act, or if a receiver or trustee of the property of Tenant shall be appointed by reason of Tenant's insolvency or inability to pay its debts, or if any assignment shall be made of Tenant's property for the benefit of creditors, then and in any such events Landlord may, at his option, in addition to the remedies provided herein, terminate this Lease and all rights of Tenant herein, by giving to Tenant notice in writing of the election of Landlord so to terminate. Tenant shall not cause or give cause for the institution of legal proceedings seeking to have Tenant adjudicated bankrupt, reorganized or rearranged under bankruptcy laws of the United States, and shall not cause or give cause for the appointment of a trustee or a receiver for Tenant's assets, and shall not make an assignment for the benefit of creditors or become or be adjudicated insolvent. The allowance of any petition under the bankruptcy laws, or the appointment of a trustee or a receiver of Tenant or its assets, shall be conclusive evidence that Tenant caused, or gave cause therefor, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within 30 days after such allowance or appointment.

24. Assignment and Subleasing. Tenant shall not assign, mortgage or sell this Lease or sublet the Premises, or any portion thereof, or permit any licensee or concessionaire to operate in or use the Premises without the prior written permission of Landlord. Landlord may accept rent from any person in possession without releasing Tenant from this covenant. Landlord's right to assign or pledge this Lease is and shall remain absolute and unqualified.

25. Eminent Domain. If the whole of the Premises, or part thereof, are taken in any manner for any public or quasi-public use or purpose so as to prevent Tenant's use of the Premises, this Lease shall terminate as of the date of such taking. A partial taking, to the extent that the Premises may be restored to substantially the functional equivalent of the Premises prior to such taking, shall be treated in the same manner as a partial destruction set forth in Paragraph 14 hereof and this Lease shall remain in effect as provided in that section provided, however, that if such partial taking, or the restoration thereof, does not in any manner materially interfere with Tenant's use of the Premises, the rental under this Lease shall not abate during the restoration period. Tenant shall have no interest in any award resulting from any such taking except for items included in the award which shall have been installed and paid for by Tenant.

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26. Right to Enter and View. Landlord or his representatives may enter and view the Premises for the purpose of examining the same, provided that such entering and viewing shall be done at a time and in a manner so as not to unduly interfere with the conduct of Tenant's business; and Landlord may, at any time within 180 days prior to the expiration of the Lease Term provided that Tenant shall not have theretofore given Landlord timely notice of Tenant's election to exercise the Option (as hereinafter defined), place upon the Premises a sign or signs announcing the fact that said Premises are available for rental.

27. Alterations. Except for the addition of Trade Fixtures as provided in Paragraph 20 hereof, Tenant shall make no alterations or additions in, upon or to the Premises, or any part thereof, without the consent of Landlord first had and obtained in writing. In the event such consent be obtained, all such alterations or additions shall be performed at the expense of Tenant in a first class, workmanlike manner; and Tenant covenants and agrees not to create, or suffer others to create, any lien or obligation against the Premises or Landlord by reason of the alterations or additions so authorized and further, to hold Landlord harmless of and from any and all claims and demands of third persons in any manner relating to or arising out of such work. Landlord may, at his option, require that Tenant procure a payment bond or deposit with Landlord reasonable portion of the estimated costs of such alterations as security for such payment as a condition to its approval thereof. Except as provided in Paragraph 20 hereof, all alterations or additions so made by Tenant shall become part of the realty, as a consequence of which Tenant, upon the expiration of the Lease Term or the cancellation thereof, shall have neither the right nor the obligation to remove the same.

28. Taxes. Tenant shall promptly pay when due all personal property taxes levied against Tenant's property situated on the Premises and all license fees, permits, area charges, occupational taxes and any and all other charges assessed by reason of Tenant's use and occupancy of the Premises.

Tenant, as additional rent, shall pay to Landlord each and every month during the Lease Term an amount estimated by Landlord to be sufficient to enable Landlord to pay at least 30 days before they become due, all real estate taxes and personal property taxes, if any, levied against the Premises and any special assessments, or installments thereon, which may hereafter be levied against the Premises, which apply to the Lease Term, all of which are hereby declared the obligation of Tenant under this Lease. Upon demand of Landlord, Tenant agrees to pay to Landlord such additional sums as are necessary to enable Landlord to pay the foregoing items. Tenant shall have the nonexclusive right to contest the validity or imposition of any real estate or personal property tax or special assessment levied against the Premises for which Tenant may be liable, and for that purpose shall have the right to institute such proceedings as may be necessary therefor, provided that the expenses incurred by reason thereof shall be paid by Tenant, and that Tenant shall take no action which will jeopardize any title, interest or right Landlord has in the Premises. In the event of a change in the theory of taxation, Tenant shall pay all taxes imposed in lieu of the foregoing.

29. Proration of Costs of Certain Replacement. In the event the roof, other structural components or major mechanical systems in the Premises become so worn or obsolete that repair is impracticable and they are replaced, Landlord shall share in the replacement cost thereof in proportion to the ratio that the number of months elapsed under this Lease bears to 120 months. For example, if 80 months have elapsed, Landlord shall bear 66-2/3% of such cost.

30. Entire Agreement. This Lease and the exhibits, if any, attached hereto set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them, other than as are herein set forth. No alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each party.

31. Costs of Enforcement. Tenant shall pay upon demand all Landlord's costs, charges and expenses, including the reasonable fees of counsel, agents and others retained by Landlord, incurred in enforcing Tenant's obligations hereunder or incurred by Landlord in any litigation in which Landlord, without Landlord's fault, becomes involved or concerned by reason of the existence of this Lease or the relationship hereunder of Landlord and Tenant.

32. Cumulative Remedies. All rights and remedies of Landlord herein enumerated shall be cumulative and none shall exclude any other rights or remedies allowed by law, and such rights and remedies may be exercised and enforced concurrently and whenever and as often as the occasion therefor arises, and failure on the part of Landlord to enforce any of his remedies in connection with any default shall not be deemed a waiver of such default nor a consent to any continuation thereof.

33. Binding Effect. The covenants, conditions and agreements contained in this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns as permitted by this Lease.

34. Governing Laws. This Lease is executed in Wisconsin with respect to real estate located in Wisconsin; its validity and interpretation shall be governed by the laws of Wisconsin.

35. Memorandum of Lease. At the request of either party hereto, a memorandum or short form of this Lease will be entered into in form approved by Tenant and Landlord and suitable for recording purposes; provided, however, that nothing herein contained shall alter or vary the terms of this Lease.

36. Covenant to Pay Rent Independent. The covenant to pay rent is hereby declared to be an independent covenant on the part of Tenant to be kept and performed and no offset thereto shall be permitted or allowed.

37. Landlord and Tenant Independent. Nothing in this Lease shall be deemed to create any relationship between the parties hereto other than that of Landlord and Tenant.

IN WITNESS WHEREOF, the respective parties have executed this Lease, or caused this Lease to be executed and sealed by their duly authorized representatives as of the day, month and year first above written.

LANDLORD:

John A. Wundrock

John C Dowd
John C. Dowd

TENANT:

WISCONSIN PHARMACAL COMPANY, INC.

By: Thomas J. [illegible] VP-Finance

Attest: Thomas J [illegible] Exec VP

Exhibit A - Legal Description

EXHIBIT 11

STATEMENT RE: COMPUTATION OF EARNINGS (LOSS) PER SHARE

	Three Months Ended March 31		Six Months Ended March 31	
	1992	1991	1992 (1)	1991 (1)
Primary:				
Average shares outstanding............	3,506,242	3,278,078	3,402,912	3,278,078
Net effect of dilutive stock options and warrants--based on treasury stock method using average market price........................	351,097	5,979	340,288	2,362
	3,857,339	3,284,057	3,743,200	3,280,460
Net income (loss)......................	$ 392,976	$ 147,000	$ (64,435)	$ (33,000)
Per share amount.......................	$ .10	$ .04	$ (.02)	$ (.03)
Fully diluted:				
Average shares outstanding............	3,506,242	3,278,078	3,402,912	3,278,078
Net effect of dilutive stock options and warrants -- based on the treasury stock method using the end-of-period market price if greater than the average market price for the period.........	356,578	7,867	386,415	3,894
	3,862,820	3,285,945	3,789,327	3,281,972
Net income (loss)......................	$ 392,976	$ 147,000	$ (744,893)	$ (83,000)
Per share amount.......................	$ .10	$ .04	$ (.22)	$ (.03)

(1) Based on average shares outstanding. Due to the net loss the net effect of dilutive stock options is anti-dilutive.